

UNIVERSITY OF BOMBAY MATESON LECTURES SERIES, I.

POST-WAR GERMANY.

AN OBJECT LESSON IN NATIONAL RECONSTRUCTION.

Part One: Political Changes under the Auspices of

University School of Economics and Sociology.)

K. D. M. S.

Professor of Economics and Sociology.

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UNIVERSITY OF BOMBAY EXTENSION LECTURES SERIES: I.

POST-WAR GERMANY:

AN OBJECT LESSON IN NATIONAL RECONSTRUCTION.

*Being Five Public Lectures under the Auspices of
the
University School of Economics and Sociology.)*

BY

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(*In Memory of the Fourth of October*)

TO

LITTLE ANJANI MEHTA.

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PREFACE

These Lectures were delivered in the Monsoon Term of 1928-29, and have been printed almost wholly as delivered, in substance. Only one of them was actually read out; but the main argument as elaborated in the detailed synopsis circulated in the audience at the time of each Lecture was closely followed throughout the Lecture.

As now published, the Lectures make a study parallel to the similar study made of *the Russian Experiment (1917-1927)* last year about the same time. The Lecturer was at a disadvantage in regard to Russia, owing to his ignorance of the language and the people in their homes, which, it is hoped, would be found to be absent in the present instance. The personal knowledge that the Lecturer could claim of Germany and the German people is, however, fifteen years behind time; and conditions have changed enormously since 1913. Nevertheless, the spirit of the country and the general character of its institutions and ambitions have been maintained sufficiently to justify our basing the study of post-war conditions on the foundations laid in the years immediately before the war.

The introductory observations in the opening Lecture have explained the fitness of the title of these Lectures. In contrast with the parallel study on Russia, the present study, it may be noted in this place, is interesting, not only because of its object-lessons, which are many and varied, but also because of the inherently greater interest of constructive achievement in contrast with destructive activities. The Russian Revolution is not wholly destructive. There has been reconstruction in Russia more far-reaching and radical than in any other country since the world-war; and it is not unlikely that the mere size of the experiment might divert attention from that which is constructive, permanent, and matters, to that which is only a passing phase, a momentary ebullition against an insufferable evil. But when all credit is given to the authors

of the Russian Revolution for their achievements, such as they are; and when one makes a comparison with the corresponding achievements of Germany, under conditions more onerous in many respects than those obtaining in Russia; when one considers the chances of stability and progressiveness on the lines already laid down in these two countries respectively, one cannot but feel that the German Revolution and its achievements are distinctly greater in magnitude, and better in quality, than those of Germany's great neighbour on the east. Russia is of the east, and Eastern in spirit and tradition, despite all the trappings of the day. Germany is in the heart of Europe, and representative in full of the European Civilisation, in every age including the present. Hers is not merely a varnish of culture and refinement, less than skin-deep. She is the best educated nation in the world,—and not merely in the sense of literacy. Her scholarship and enterprise have tided her over the period of transition more successfully, with far less of positive harm to the nation's structure, than could have been the case with any other country in a predicament similar to that of Germany in the end of the World-War. Hence the significance in world history of these ten years of Germany's history.

For bringing the information on specific questions up-to-date, several authorities have been relied on, which have been mentioned and the debt due to them acknowledged, each in its appropriate place. To the English-speaking student, the works of Mr. W. H. Dawson relating to the history, institutions and development of the pre-war German Empire must prove an unfailing source of information as well as inspiration, not the least because of the evident serenity of the author under all conditions. Mr. Gooch's monograph on *Germany* in the *Modern World Series* is a work of the same fair, impartial and withal sympathetic character, which no one who would understand modern Germany can afford to neglect, in spite of the work being now three years behind time. Prof. Ernest Jäkhe's *New Germany* is more recent, and indicative of that changing sentiment in the quarters that count in that country to day, which lends its own peculiar charm. Herr

Bergmann on *Reparations*, and Dr. Schacht on the *Stabilisation of the Mark*, are German works available in English, which, though special monographs on particular questions in the history of Post-War Germany, have nevertheless interesting glimpses of the general situation that serve to throw into proper relief the main theses handled by the writers. Mr. Daniel's work is more journalistic in character, but also more informative on minor details; and the value of the information is in no way lessened because of the author's critical outlook. Prof. J. M. Keynes's works on the *Economic Consequences of the Peace* and the *Revision of the Treaty* are classics, much too well known to be mentioned more at length, though that does not lessen in any way the Lecturer's obligation to this eminent authority. The Reconstruction Numbers of the *Manchester Guardian* and the Periodical Press in general have helped the Lecturer in a way, which, while eluding specific mention, has in fact been of considerable service. To all these the Lecturer tenders a sincere expression of his gratitude.

The Lecturer has adopted the policy of an objective analysis, avoiding, wherever possible without harm to the train of reasoning, any speculation as to future developments, as also any expression of merely personal opinions. Where, however, in spite of this general policy, expressions of opinion occur, the Lecturer must be held personally responsible for the same. He has, for example, come to understand, in discussion with people who have had advantage of a personal residence in and experience of Germany in the crucial years after the war, that his statement in the closing Lecture and elsewhere about the strength of the monarchist sentiment in the class of population represented by "Big Business" is not quite in accordance with facts. "Big Business" might, in the abstract, have a partiality for Royalty which would gratify such snobbish instincts as come to be implanted in wealthier people, at least in old countries with an aristocratic frame-work of Society. But in actual life, Big Business in the Germany of the Hohenzollerns was left too much in the cold, so far as the distribution of the loaves and fishes of government were concerned,

really to love the Hohenzollerns, or even any conceivable form of monarchy in Germany to-day. Even though they are a minority party to-day, they nevertheless secure their fair share of the spoils of office in the coalition Governments that have ruled Germany since the War. The caste-ridden monarchy must needs deprive them of this advantage, whether the monarch happens to be a Wittelsbach or a Hohenzollern. The Lecturer is persuaded that the chances of a monarchical restoration are even more slender than he had imagined at first; and he is in no way grieved at the prospect.

Valuable assistance was received from the German Consul in Bombay and his Staff in regard to the most up-to-date information on many a point of material importance to the Lectures. Due acknowledgement was made of this help at the end of the Lectures, and the repetition here is only an index of the Lecturer's sense of obligation to the Consulate. Friends who have been to or lived in Germany in the years following the world-war have also aided, by their criticism or suggestions, in making these Lectures more full and interesting than they would otherwise have been. The thanks of the Lecturer are due and are hereby tendered to all such helpers.

UNIVERSITY,
BOMBAY. } *20th October 1928.*

K. T. S.

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LECTURES.
ON
POST-WAR GERMANY:
An Object Lesson in National Reconstruction.

LECTURE I
FOUNDATIONS OF NEW GERMANY.

LADIES AND GENTLEMEN,

The selection of this particular subject, as well as the general aim and purpose of the series of University Extension Lectures this school is contemplating, will, I think, demand a brief explanation, even if the lecturer himself does not need an apology. I have not, indeed, that intimate knowledge of the country and its problems, which a residence therein during these eventful years of severe trial and struggle would entitle one to claim. I have, it is true, better claim to speak of Germany and her problems than I had of Russia, about whose great national experiment I ventured to address you about this time last year. I have lived in Germany, studied in a German University for a while, and travelled through her different regions as a commercial agent and a newspaper correspondent. I have cycled, and motored, and boated, and railed, and even walked through the fairyland of the Rhine and the Neckar, the commercial marts of Hamburg and Leipzig, the political

centres of Berlin and Munich. But this was all in the days before the War, when people less courageous than Lord Haldane had no hesitation in proclaiming the land of Göethe and Wagner, of Kant and Hegel, of Momsen and Treitschke to be their " spiritual home " in Europe. If one's own personal experience is a permissible basis for generalising on such matters, I would be inclined to say that an Indian visitor to the countries of Europe will find Germany and the Germans, amongst all the peoples of the domineering West, more sympathetic and understanding, more lovable and kin-like, than any other offshoot of our great Indo-Aryan family. And this despite the intense industrialisation of the country, its universal mechanisation ; despite the mighty hammer-strokes of Essen and the blast-furnaces of Düsseldorf. The soul of Germany, one could feel in those years immediately preceding the World-war, was not dead. And the appeal of that mighty soul,—through its literature and language as rich as our own Sanskrit,—and, may I add, from some slight experience of my own, as difficult to master and as amazing when acquired;—through its history as full of vicissitudes as our own, through its socio-political problems as varied and baffling as our own,—is impossible to resist.

This, Ladies and Gentlemen, will also indicate to you the reason why this subject, from this particular standpoint, has been selected as the very first of the Series the School of Economics and Sociology has addressed itself to. Germany is an object-lesson to us in this country, in more senses

than one ; and far more fully after the World-War than before. For Germany had in an overwhelming degree what we still lack—the might of the Mailed Fist ; but after the searching test of the World-war, Germany seems to have discovered,—even as the most sagacious amongst us has been proclaiming these ten years past—that brute force is not by itself sufficient to win a people their place among the nations—or even among the Powers—of the world. I shall have to say more on this count, perhaps, in another connection in the course of this series. For the present I am concerned to point out to you that the problems and conditions of Germany bear a close—a very close—resemblance to our own in this country ; and that, therefore, a study of the ways and means by which the German people have tackled and solved those problems cannot but have a great significance for us. For a century past, at least, the German people have been striving to re-achieve their national solidarity based on the substantial foundation of their racial unity. The Nordic Race, nowadays being made most of in America, has got scattered over all parts of the globe ; but that section of it, which is known in history as the Teutonic race, is still inhabiting the regions of Europe which lay beyond the frontiers of Rome even when she was at her zenith of Imperial might. Germania, Deutschland, L'allemande—by whatever name you know her—has been the home of a hardy, freedom-loving, but withal enterprising and adventurous people, who make up the biggest part of the Teutonic race. History, however, has not dealt kindly with these wonderfully simple, strong, and yet poetic people. After

the brief glories of Charlemagne, the loosely-knit dominions of the Holy Roman Empire began to fall apart, slowly but steadily, till after the long, disastrous, fratricidal, Thirty Years' War in the seventeenth century, the German peoples were divided amongst a host of sovereign principalities, varying in size and wealth and importance from Imperial Austria and progressive Prussia to the lordship of a few rocky acres in the innumerable recesses of the Rhine. The dynastic ambitions of these princes kept apart for two centuries the peoples of the same stock living in their several jurisdictions ; and so kept back that material development, which, when it came at last under the inspiring if somewhat heavy-handed rule of Progressive Prussia, amazed the world as much by its splendour and variety as by its thoroughness. So intense, indeed, had been the sentiment created by this unnatural division, that the greatest minds of Germany, despairing of a national patriotism, had sought expression in an inspiring internationalism. Lessing in the eighteenth century was glad to be free from the love of the Fatherland, for he called it a heroic failing. And Schiller reflected the sentiment by writing "*I write as a citizen of the world, who serves no prince,*" while Göethe coined the maxim "*Ubi bene, ibi Patria.*" Where we have our hearth and home, there, of course, must centre all the warmest affections of our heart. But the exigencies of life force many among us to seek their livelihood away from the haunts of their childhood. For the mother who bore them has no milk for them, and so they make their temporary homes abroad in search of a living, who, however,

have their hearts still rooted in the soil that gave them birth, their eyes turned with longing on those shores, their mind intent upon that day when they could in comfort and safety return to their native homeland. Many, indeed, of these forced wanderers never live to accomplish the desire of their heart, which then finally dies out in the children who succeed them. But that cannot prove Göethe's maxim to be true without exception. The Germans of the first generation of the nineteenth century were roused from this apathy by the guns of Napoleon. Jena and Austerlitz were answered, even in their own days, by Leipzig and Waterloo. But the lesson taught by the Corsican adventurer was impossible to forget. The Germans of the generation that followed Waterloo had no thought more intense, no aim more sacred, than the accomplishment of their national unity. It was as a herald of this longed-for era that they welcomed the Zollverein, or the customs union—an economic harbinger of a political unification. And it was in the hope of achieving this ambition, that the leaders of Liberal Germany threw themselves in the wave of revolutionary enthusiasm that followed the ill-starred July Monarchy of the Younger Bourbons in France to its grave. The times however, were yet not ripe for the German nation to be accomplished. Metternich's reactionary counsel still dominated Austria, despite its growing bend towards a south-eastern viewpoint. And Prussia was not ready to assume the nominal lead of Germany; for her statesmen felt it would earn her the hatred of the Princes without gaining the substantial, effective support of a disciplined, organised,

and powerful people. Even as it was, Prussia had to pay for her share of the troubles of 1848 by the humiliation of Olmütz. They had to wait almost a quarter of a century before the Trinity of Bismarck, Moltke, and Roon could forge and shape the unification of Germany by their policy of Blood-and-Iron, backed by the hammerstrokes of Sadowa which paid back for Olmütz and Sedan which made up with usury for Jena.

But the unification then achieved was still not complete. The German-speaking peoples of Austria had perforce to keep away from the new Reich ingeminated at Versailles. And even the States that joined the new Empire in its Bundesrath were unwilling to forget their separate existence. Bismarck had to placate them, and so the new title of King William of Prussia was "German Emperor"—not Emperor of Germany. The brilliance of the Reich under the Prussian hegemony was insufficient to submerge the sentiment of local patriotism in Hanover or Bavaria. And so the regenerators of modern or post-war Germany had to face the self-same problem that faces the leaders of India to-day, *viz.*, the ancient might of local patriotism, of particularism in opposition to the indispensable and increasing need of national solidarity at the present day.

The same peculiarity is repeated in regard to the differences of religion. The Catholics and Protestants of Europe have fought among themselves—not a whit less intensely than the Hindus and Mussulmans of this country. And nowhere has the struggle been as grim, as long, as bloody, as in

Germany. From the day Luther nailed his celebrated protest on the Church-door at Wittenburg, Germany has been divided in a hostile camp of incessantly warring creeds. A line running roughly from the Rhine to the Vistula may be said to indicate the division,—the states and peoples to the North and the East being Protestants, those on the South and the West being Catholics. The war-cry of religious fanaticism has died down these hundred years and more, though as late as the Seven Years' War, which made Prussia, religious differences were by no means a dead letter. But, though suppressed, religious differences are by no means destroyed, even in Post-war Germany. It is by no means amongst the least of the triumphs of German discipline,—German sense of national solidarity—that the chord of religious animosity is very subdued, even if it is heard at all. But that cannot blind the outside student to its very existence, or make him overlook altogether its jarring note at times and in places, sufficient at least to remind him of the similarity between Germany and this country in that respect.

Growth of class antagonism, resulting from the growing consciousness of divergence in economic interests between the several strata of society, is much more intense in Germany than in this country. The parallel, however, is sufficient to make another point in the object-lesson. I would not, indeed, be understood to say that there is no class antagonism in this country. While the social system continues to be rooted in an initial and integral inequity, the emergence and existence be-

tween divergent economic classes is unavoidable. But, with us, for the moment at least, the more dominant note of economic divergence is not so much between Capital and Labour, as between town and country, industry and agriculture, over and above the ancient war of castes. Germany, too, has had her own experience of this rift in the lute of her national solidarity. But, as with us so in Germany, those who have the ear to hear these jarring notes, are obsessed with other and mightier problems of national reconstruction, which, without making them oblivious of these minor keys, nevertheless demand their attention in preference. The problem of Reparations for the War losses to the Allied enemies of Germany in the world-war is not yet ended, nor its offshoot in the shape of the foreigner within the Reich territory on the Rhine. How, then, can they pay first attention to problems of local difficulty?

I have deliberately sketched in some detail the parallel not only to make the object-lesson of German achievement as impressive as possible, but to make our students of contemporary history realise even more fully, if that were possible, our own deficiency in equipment as compared to Germany. Germany has been disarmed like ourselves. Her trust must therefore be, more than ever before in her chequered career, in moral strength. Now the one essential of any effective exercise of moral strength is strong discipline ; and Germans are, by common consent of their admirers as well as antagonists, unrivalled in regard to discipline. Whether we ascribe this to the thoroughness of Prus-

sianism, to which Germany was increasingly submitted since the days of Frederick the Great ; or to their very high level of education—not merely literacy, but an all-round attempt at developing fully the latent faculties of the citizen; whether we find the germ of this discipline in their compulsory system of military service, or in their intense industrialisation with universal and intricate mechanisation,—the fact is indisputable that the German people are a highly disciplined, organised and therefore efficient race. And the triumphs of this discipline, this capacity for self-control, this habit of instant obedience to established authority have been greater even in their adversity than they ever could be found in the palmiest days of their prosperity. We in this country must yet be admitted to be lacking, relatively at least to the Germans, in this peculiarity of national discipline and universal habit of acting in concert, which must make the achievements of Post-war Germany even more remarkable and significant to us than they intrinsically are. A nation of dreamers, as Madame de Staël has described the Germans of her days and of all times ; a country of scholars and sages that a British Premier of the last century described as “that damned land of Professors” ; the Germans are, I can say of my own knowledge, a good, loyal, kindly folk, whom, seeing them on a holiday afternoon in one of their innumerable schlosses, or biergartens, or open-air concerts, one could never suspect of bellicose intentions or pugilistic possibilities. And, though I am not for the moment on that topic, nor intending to devote any considerable attention to it hereafter, I must record the verdict

of Mr. G. P. Gooch, whom the Rt. Hon. H. A. L. Fisher has described as "one of our most distinguished living historians": "No evidence, however, has appeared" he says in his work on *Germany in the Modern World Series*, "to indicate that the German Government or the German people had desired and plotted a world-war." This is not to say, of course, that there never was in the Germany of the Hohenzollerns any one, even outside the ranks of the military caste, who let off fire-works occasionally, or who perceived and expressed the irresistible tendency of that age leading seven million young men to their untimely doom in the flower of their manhood. Such there were, and must have been, in all countries. But the German people as a whole, when viewed away from their parade ground, seemed to be much too jolly, much too good-humoured, much too educated and civilised, consciously to desire war for war's own sake, deliberately to plot for it, heartlessly to lead to it. They themselves had much too much at stake, not to have realised, with their education and perspicacity, that an appeal to arms must be fatal to their industry and commerce, their wealth and prosperity; and consequently to their own domestic peace and order, even if they did succeed in gaining some empty laurels for their military chiefs. War, nevertheless, came; and for causes at which we can do little more than glance hereafter. Germany acquitted herself in the struggle as per expectations. But the war also came to an end; and in the peace that has followed; the essential characteristics of the German people I have been labouring to sketch before you have

asserted themselves even more than could have been expected ; thereby affording an object-lesson which it is not too much to hope their neighbours and contemporaries will not overlook.

Those who look into the foundations of a nation cannot avoid a glance at history, if only in so far as it is necessary for a proper understanding of the main thesis. I, therefore, need make no apology if I take you hurriedly over the building of the German nation.

THE REICH IN GESTATION.

I have already glanced at the fairies which presided at the birth of pre-war Germany. The need for a unified people and a consolidated front to the hostile neighbours across the frontier was driven home by the victories of Napoleon. Even when the menace of a resurgent France was withdrawn after Waterloo, the ideal of German national unity was far from achieved. The next generation, therefore, busied itself with the task, looking at first to the people themselves to accomplish their political freedom as well as national regeneration. But the people *en masse* lacked the education—if not the temperament—necessary for such an achievement. And so the leaders turned their gaze upon the principal members of the race, in terms of territory and tradition. Economic factors were daily enforcing the need for national unity, no less than political or military considerations. The states making up the German people were vitally and increasingly concerned in the economic developments of the age of railroads and steamships. As a first step, and arising out

of the perception of their own interests, the States concluded treaties among themselves, regulating their customs dues without sacrificing their territorial sovereignty. Soon the example spread. Though the new sentiment of German nationalism did not find the same favour in the eyes of the German princes as in those of the German people ; though the enthusiasm of the latter often overleapt the barriers imposed by the interest or discretion of the former, it came gradually to be realised more and more that Austria was not only more reactionary and therefore hostile to the aspirations for a national unity, but that her interests and commitments made her take more and more inevitably, a Near Eastern rather than a European standpoint, and much less a German national viewpoint ; that the very nature of the Habsburgs' possessions precluded them from sympathising with nationalistic ambitions ; that until, however, Austria was excluded from the *Staatenbund* of the German peoples, there could be no hope for their unification. These were by no means imaginary apprehensions. At every crisis between 1815 and 1860, Austria applied the brake on what she conceived to be the runaway car of German nationalism. And—strong and powerful as Austria was amongst the German States—she could easily frighten away any other lesser German States from stepping into the shoes which she deemed to be her own by right. Prussia alone among the German States was of a strength and stature sufficient to make a bid against Austria ; and the leaders of nationalist Germany, in the hour of crisis (1848), naturally turned to Prussia to set her seal on the constitution.

of national unity they had drafted in Paulskirche at Frankfort. Frederick William of Prussia, however, would have none of this gift from a people, perhaps because Prussia could not feel that consciousness of strength which might enable her to defy Austria. Even as it was, Austria inflicted her vengeance on Prussia at Olmütz, which was the greatest humiliation Prussia had received since the days of Frederick the Great.

But after Olmütz, the scene shifts completely, and events march rapidly. The Zollverein was steadily growing ; and in that the importance of Prussia. Bismarck was winning his spurs by representing Prussia in the Diet. Austria suffered her first reverse since Austerlitz in the plains of Lombardy, in the shape of the consolidation of Italian unity by the genius of Cavour under the house of Savoy. (1859-60). Frederick William of Prussia became incapacitated from ruling, and his sceptre passed to that simple-minded soldier, William, who was destined to be the first German Emperor, and who called to his task the architect his Empire, Bismarck.

The story of Bismarck's achievements in the first ten years of his ministry is too well-known a classic to need repetition. He taught the lawyer-politicians of the Prussian Parliament the logic of soldiers, and forged the weapon which was to accomplish his task despite Parliamentary protests. He taught the neighbours of Prussia, like Denmark in the case of Schleswig-Holstein, that the united might of Germany was irresistible ; and then

showed the rivals or critics of Prussia within Germany itself, that Prussia was by herself more than a match for Austria. The victory of Königgrätz was the foundation-stone of Germany's new empire under the leadership of Prussia. Like wise builders, however, Bismarck and his king refrained from pressing so far their advantage on Austria as would have made of the latter an irreconcilable and an eternal enemy. The fruits of the moderation shown in the Austrian war of 1866 were evident in the North German Confederation created in that year, and finally garnered in the Franco-Prussian War when Austria remained neutral.

The Reich—the Empire as it was then called, the Commonwealth as we now know it,—was achieved as a kind of crowning glory of the war of 1870. The particularist sentiment—such as it was at the time—was by no means affronted in the constitution of the Reich; while the surging national ambitions seemed to find a brilliant—even dazzling—end of their strivings in this result. Thereafter the task of the Iron Chancellor was peaceful—though not less intricate; and in the problems of peace he showed himself no less a masterhand than in the tangles of war. Content with his maxim of limited liability for the new German Reich, Prince Bismarck sedulously avoided European entanglements, or colonial ambitions, that would have complicated if not impeded his task of nation-building. Paradoxical as it may sound, the Bismarckian regime of the German empire was free from that tinge of international rivalry, that germ of conflicting ambitions and interests among

neighbours, which sooner or later lead to an explosion. Bismarck's general policy has been summed up by a British ambassador in Berlin, Odo Russel, as aiming at: "The supremacy of Germany in Europe, and of the German race in the world, and the neutralisation of the influence of the Latin races in France and elsewhere." But on this Mr. W.H. Dawson, that most painstaking student of modern Germany, writes, in his monumental work on *The German Empire*, : "There is a misconception here, and Bismarck's actions prove it. That he wished to neutralise the influence of the Latin peoples, may be admitted, since he sought to neutralise the influence of all countries alike—Latin, Slavic, Anglo-Saxon,—in the interests of German security ; but the assertion of German Supremacy in Europe and the world was never the conscious aim of his policy, nor was such a purpose in the order of his ideas." (Vol. II, p. 245). And the same writer adds this passage from Bismarck's own memories that seems to crystallise his theory of foreign policy : " No great power can place itself exclusively at the service of another. It will always have to keep in view, not only existing but future relations to the others, and must, as far as possible, avoid lasting fundamental hostility to any of them." (p. 247). How far Bismarck himself was consistent, how far he carried out in his dealings this his own principle, need not be discussed here. The point need only be urged in this place that it was mainly the departure from this policy of the master-builder—among those who succeeded to his office and his task—that may be regarded as

being ultimately responsible for the fate which befell Germany in 1914-18, and thereafter.

The story of those sad events and misfortunes of humanity will be outlined in its proper place. Here let me add, that just as man cannot live by bread alone, so a nation cannot thrive on guns alone. Bismarck had built the German Empire, no doubt. But its foundations were laid rather in the fears of the Prussian might among the neighbours that begirt her, than in any realisation by those neighbours of the likely contribution of the German people to the onward march of mankind. I am fully aware, indeed, that this conception of a people's mission in the story of mankind is not one likely to have been understood by the contemporaries of Bismarck. We cannot, therefore, find much fault with him on that score. But, even so, we cannot overlook the ideals which inspired the Liberals of 1848, who prepared the first national constitution of Germany, nor omit to contrast their creation with that of Bismarck. They were dreamers and visionaries, while Bismarck was essentially and exclusively a man of action. To the former a principle was sacred above everything ; to the latter it was only a tool to be prized only while it was serviceable. The former wanted to make a true German Commonwealth of all German peoples, free and liberal, as they were already beginning to be enlightened and enterprising ; but Bismarck was content only with securing the hegemony of Prussia in Germany, the federation of the German States minus Austria, and the inauguration of the Empire. Bismarck must,

however, be read as a Man of Destiny, whose doings it is no longer profitable to criticise. And so, while remarking that *his* achievement of the German unity fell far short of the ideals of German Liberalism of the last century, and much more so for the international longings of the class-conscious proletariat of to-day, it was, nevertheless, while it lasted, a most efficient creation of its kind. The credit for all the vast industrial and commercial expansion and prosperity that fell to the share of the German Empire he had fashioned and moulded cannot, indeed, all go to the Iron Chancellor or his memory. His successors had too direct, too considerable a share in that prosperity,—doubled in the twenty-five years between Bismarck's fall and the outbreak of the World-war—to be ignored altogether. But the framework suited to the new ambitions was provided by Bismarck ; and the motive-power was also supplied from his initial impetus. Even the lines of future development and expansion were substantially maintained as chalked out by his master-mind. It is no diminution of Bismarck's essential and undisputed greatness to say that he had no economic creed, nor a fiscal principle. Starting as a free-trader, he nevertheless turned an insatiate protectionist in midcareer. His conversion in 1879 may not have been more than skin-deep ; and even his motive may have been rather financial than fiscal. But it sufficed to lend a confidence to large industry in Germany, which, ever since 1880, made giant strides forward till checked by the world-war. Coal and iron and steel industries were hardly known in Germany before 1870. By the end of the century, Germany

had easily the lead of all competitors in Europe in Iron and Steel, and a fair prospect of win or place in coal as well. Her mercantile marine was scarcely born before the Empire ; by the time Kaiser William II celebrated his silver jubilee in 1913, the largest and the most magnificent liners in the world were built and owned by Germany, who had also the finest ship-yards in the world. Her railways remained for a generation before the world-war the acme of comfort as well as profit ; and her inland facilities of transportation were varied, simplified, and increased by a vast network of canals and an intensive navigation of the principal rivers, that all had their origin in the Bismarckian era. With a soil by no means the most hospitable, inviting, or extensive in Europe ; with a people by no means particularly noted till then amongst their neighbours for their industrial enterprise, mechanical ingenuity or commercial venturesomeness, the Germany of Bismarck and his successors up to the world-war easily became in less than a generation the most important nation in the world, industrially the most prosperous and enterprising, the most disciplined and best organised.

3. THE REICH AND THE WORLD-WAR.

It is needless, even if it were possible, to give an account, however brief, of the origin, conduct, and conclusion of the World-War. We are all too near yet to the catastrophe to form a really correct, dispassionate judgment of our own share in the armageddon ; and much less of those who were opposed to us in the struggle. I have already

quoted the considered judgment of Mr. Gooch exonerating completely Germany, her rulers, and her people of any charge of having deliberately planned for this futile world-wide sacrifice. To that I need only add that though each one of the participants is naturally inclined to exculpate itself completely from any share in the war-guilt ; the war must really be said to have originated in that frightful state of utter chaos which a thoughtful English writer—Mr. Lowes Dickinson,—has fitly called “ European Anarchy,” and of which all European powers must be held to have been equally guilty. Germany has, indeed, been compelled by her triumphant enemies to confess herself to be solely guilty of the origin of war. But that humiliation was wrung out of the German representatives at Versailles as an outcome of their dire necessities at the moment, and not as an expression of a reasoned conviction of their soul. France had had her intrigues no less pronounced for a war of revenge than the Kaiser and his coterie of militarists had had theirs for an expansion of Germany which they felt was almost bursting bounds. The evidence of M. Maurice Paleologue-French ambassador at the Court of the Tsar in the years immediately preceding the War—is clear, even through its heavy veil of special pleading, as regards the aims of France in hemming Germany round with a ring of hostile alliances. And even when we credit the recently published *Memoires* of Prince Lichnowsky as evidence of the incredible stupidity and insensate obsession of the Kaiser and his entourage, we must not forget the attempts of the late King Edward and his determined Foreign

Secretary, the then Sir Edward Grey, at seconding France efficiently in her aims regarding Germany. At bottom, however, these were all the offspring of a universal fear and distrust, inseparable from a state of anarchy, in which Europe was submerged in the years before the war. It is needless to probe further into these ancient wounds and their healing sores. Suffice it to say that the German people, when once they had been forced into the war by their rulers, behaved as all peoples who make a grand virtue of absolute patriotism may be expected to behave. Lenin was probably alone amongst the outstanding personalities of our age in the belief that the defeat of his country's armies was the only way to lead to the realisation of the communist ideal of a proletarian dictatorship ; and therein lies no small measure of his greatness. The German Socialists, however, behaved, in the first flush of the War-fever, as all patriotically-minded bourgeois may be expected to behave ; and those, at least, who make a fetish of patriotism as a virtue even when it turns fratricidal, have little right to blame them for their action. The Kaiser had said, on the declaration of the war, that he recognised no parties, but only Germans; and the intelligent section of the German people were as easily stamped-ed into the belief that they were really engaged in a war for their very existence as a nation, as their prototypes in other countries were hypnotised in the belief that they were fighting for upholding against the Huns a most inestimable civilisation. We need not repeat the follies of that nightmare of four years. If all the participants in the fatal struggle were equally guilty in causing the War and its unspeakable wastage, they were

all equally responsible for prolonging the carnage. In Germany, a minority of the Socialists had begun to raise their voice in public protest against the War-credits voted by the Reichstag the moment the first flush of the War-fever had passed, and the momentum imparted by these protests brought about, in course of time, a searching of the heart by the more thoughtful and the more far-seeing, which demanded a clear formulation of the War-aims of the Germanic powers. It is impossible to know, one fears, beyond the possibility of a doubt, the real war-aims of the Kaiser and his camarilla. Perhaps, they, too, had no clearly defined aims, and were only waiting on each opportunity as it happened to be turned to the utmost to their own account. When, however, the mouthpiece of the German nation, the Reichstag, began to take a hand in the game, clear definition was impossible to avoid any more. Erzberger, the leader of the Catholic centre in the Reichstag, and himself by no means a pacifist or an anti-annexationist in the early days of the war, had realised, by the middle of 1917, that an end of the war by a smashing German victory on either front was impossible; and so he tabled and carried a resolution in the Reichstag which demanded "a peace of understanding and permanent reconciliation of the peoples." With such a peace forced requisitions of territory and political, economic or financial oppressions are inconsistent. It also rejects all schemes which aim at economic barriers after the War. Freedom of the seas must be made secure. So long, however, as the enemy Governments threaten Germany and her allies with conquests and oppression, the

German nation will fight till its own and its allies' right to life and development is secured." This is obviously not the language of triumphant militarism, despite the twang in the last sentence. But by this time the allies had perceived the true character of the war as a war of attrition, in which they knew their numbers and resources had provided them with the highest trump cards, even before America had joined their ranks. And so the enemies of Germany were by 1917 no longer in the mood to consent to terms. The war dragged on for another year and a half, with Russia out of the field, and America fighting in its place on the side of the Allies. The German General Staff had miscalculated,—either their own strength in offence, or their enemy's power to resist. In any case, they had to confess their inability to win the war by a smashing victory, even before the incipient discontent in the navy forced their hand to demand an immediate armistice by the end of October, 1918. The Wilson declaration of the Fourteen Points essential to secure a lasting peace were seized upon by a despairing Chancellor to bring to his exhausted country at least a breathing space. And though by this time the Allies were too fully aware of their advantage to grant the Germans terms of Armistice which might conceivably neutralise their advantage, the enemy was in no condition to bargain or even to prolong negotiations. The Kaiser had to abdicate, and the Crown Prince to renounce his right of succession, because the people of Germany had no longer any use for these gilded mischief-mongers ; and the Armistice was at last obtained on terms which left the Germans under no illusions

about the temper of the Allies in their moment of victory.

REVOLUTION AND EVOLUTION AFTER THE ARMISTICE.

The end of the war in Germany had been accelerated, even if it was not really achieved, by the revolutionary fervour that had made itself manifest, even in this well-disciplined people, in the closing days of the war. The example of the Russian Revolution was not without its meaning upon Russia's nearest neighbour on the West; and the one most advanced and industrialised. Germany was after all the native country of the Prophet of Communism; and though Karl Marx's practical hints on Social Revolution do not seem to have made quite the same progress in Germany as in the less civilised, less industrialised, and less disciplined Russia, the philosophy that inspired those hints was as well understood in Germany as anywhere else in the world. The downfall of the bourgeois, capitalist, proprietary state as the only road to social equality and true democracy was adopted in theory by the German socialist parties, so far, indeed, as to lead the most advanced among them to demur to the demands for war-credits in the Reichstag in the very first attempt of the kind. For they needed no demonstration from Russia or from England to learn the bitterest lesson of all such wars that whoever won the War eventually, the worker in all countries would certainly lose it. Habits of party discipline had, indeed, proved stronger in the first weeks of the

war than personal opinions, even of the most passionate German socialist, so far at least as open voting in the Reichstag was concerned. But as early as the spring of 1915, Karl Liebknecht, the *Enfant Terrible* of the German Socialists, openly voted in the Reichstag against the demand for war-credits ; and shortly after he was joined by thirty others of the same way of thinking, in the same line of conduct. The Majority Socialists still refrained from open hostility to the prosecution of the War ; but by the middle of that struggle they were concerting measures for a peace of understanding. They were powerless to prevent their junker rulers from perpetrating the Treaty of Brest-Litovsk with Russia, violating the latter's slogan of "a Peace without Annexations or Indemnities," which was rapidly finding an increasing echo in all sensible souls all over the world. They realised that those who were thus headlessly sowing the dragon's teeth must reap the whirlwind. But for the moment they were powerless to achieve or to obstruct. Meanwhile, others of their countrymen were also perceiving the futility of the struggle, and the hopelessness of a peace by victory in the field. We have already referred to Erzberger's famous resolution in the Reichstag for a peace of understanding, and it was only the final outcome of a long series of previous heart-searchings and confabulations between parties and personages not readily susceptible to pacifism. The end of the struggle need not be repeated. But the accelerator was certainly applied by the revolts which broke out in the closing weeks of the War among the armed forces of Germany. Mutiny in face

of the enemy is one of the deadliest sins in the military—and, may one add, the modern nationalist?—calendar; and the soldier or sailor would not resort to it unless when driven by the direst necessity. Mutiny there had been in the Allied ranks before 1918, and much more serious than the mutinies that happened in Germany. But even if the army maintained fairly intact its discipline despite the efforts of Socialist emissaries in the ranks, the Navy was not proof against the preachings of reason at the end. When the sailors of the German High Seas Fleet learnt in October 1818 that their Admiralty intended them to make a last forlorn effort against the might of the British Navy, where there was not even a sporting chance of success, and where real intentions were a spectacular suicide on a vast scale, they refused to sail on that projected fatal voyage. The Mutiny at Kiel, starting with one ship, spread rapidly through the whole fleet. By this time the supreme commanding authorities of the German armed forces were losing their nerve. Judged by their own previous records in similar cases, and by the military standards in all countries, the mutinying sailors were treated none too severely—with the inevitable result that disaffection and demoralisation spread apace, and the end became unavoidable.

The progress of the Revolution, once it was ingeminated, was rapid but short in Germany. The Majority Socialists led by Ebert and Scheidemann had, during the War, if not quite co-operated with the Kaiser's Government, at least refrained from openly and actively embarrassing them.

But now when the nation's power to strike or to suffer was coming to an end, they could no longer remain the passive spectators of the consummation of their comrades' destruction. The desperate military gamblers in the Kaiser's entourage had been baffled ; and their eleventh hour attempts to secure peace abroad by negotiation, and contentment at home by constitutional modifications were rudely cut short by the Socialists' united demand that the Kaiser must go. In his last hour, the Kaiser proved himself no bigger than the poorest of his subjects, who could and did lay down his all—his life for the principles he held to be sacred—thereby proving the French savant's witty saying that kings are taller than ordinary mortals by the height of their crowns only, and often not even by that much. With the Kaiser fled, and the Crown Prince gone ; with Ludendorff in nervous breakdown, and Prince Max of Baden—the last occupant of Bismarck's chair—at his wits' end, there was nothing and no one to say the Socialists' nay to their bid for power ; and the provisional Government of the Socialists and Moderates was formed.

" All premeditated revolutions are unsuccessful " remarked Göethe to Eckermann, " for they are without God, who stands aloof from such bungling. If, however, there exists an actual necessity for a great reform, God is with it and it prosters." To this maxim of the sage of Weimar, Mr. Gooch adds his considered opinion that the Revolution of November 1918 was of the latter category, though had the Revolutionary leaders

been asked they would have denied the very existence of God. The first week of November saw the sailors' rising spreading eastward and southward from Lübeck. But, though the whole of Northern and Western Germany had fallen into the hands of the Soldiers' and Workers' Councils within a week after the outbreak of the Revolution, the Russian model was not followed beyond an open and reiterated desire for an immediate Peace. The proclamation of the Bavarian Republic under Kurt Eisner on November at Munich was a more formidable symptom, inasmuch as it was an overt expression of the undying particularism of Bavaria. The Socialist Revolution in that part of the country was, however, in an uncongenial soil, which would bring about its easy decay by natural causes alone. In any case, the Government at Berlin was too busy, for the moment, with its own immediate problems of peace abroad and order at home, to be able to spare much consideration for the antics of the Munich Lenin. The Independent Socialists, who had opposed the War Credits from the earliest days, were nourished all through the War on the fiery denunciations of the War and its exploitation of the German proletariat penned by Karl Liebknecht under the very suggestive pseudonym of Spartacus--the leader of the Slave Revolt in ancient Rome. And when the governing authority began at last to slip from the weary hands of the Kaiser and his Ministers, they made a bid for establishing a Sovietique Republic in Germany. On the historic 9th of November, however, the only result of their intended coup was the transfer of chancellorship from Prince Max to Ebert and Scheidemann.

This was the turning point. The Kaiser and Kings and Princes of old Germany fled helter-skelter from all over the country ; and a Socialist coalition ruled in their stead.

The first provisional Government of Germany was formed by the Joint Executive Committee of the combining Socialist parties, from which, however, the more fiery spirits of Liebknecht and Rosa Luxemburg—the tragic heroine of the German Revolution—remained contemptuously aloof. For they would have nothing to do with the Socialists who had continued to betray the proletariat in the four odd years of the war. In all matters requiring experience, the new Government had wisely chosen to be guided by the advice of the old experts, such as Dr. Solf at the Foreign Office, Erzberger in charge of the Peace Negotiations, and Hindenburg in command of the army. The first proclamation of the new Government, despite its Socialist complexion, breathed a note of moderation which went a long way in conciliating the Bourgeois elements, and avoiding a national civil war. Throughout November and the first half of December the Spartakists continued their virulent attacks against the Socialist Directory and its thinly disguised bourgeois sympathies. And though at the conference of Premiers on November 25, it had been decided to call a National Assembly at the earliest opportunity, the more ardent revolutionaries had no desire to allow any share of the power to pass from the hands of the Workers' Congress. That Congress met on December 16, and dealt the first blow to the hopes of the Revolutionaries by refusing

to allow Liebknecht and Rosa Luxemburg to participate in their deliberations. At the same time all legislative and executive power in the Reich was handed to the People's commissaries until the meeting of the National Assembly, and the 19th of January 1919 was appointed as the day for the national elections. The Spartakists were, of course, crying themselves hoarse all the time in their organ *Die Rote Fahne* (The Red Flag) against these doings of the Congress, which appeared to them to be betraying the sacred ideal of the Marxian Revolution at the psychological moment. But, in spite of wide-spread feelings of esteem for Liebknecht and affection for Rosa Luxemburg, the more stable, the more moderate, the more reasonable elements of even the Berlin population began to perceive that the New Jerusalem they all longed for could never be built upon the dregs of revolutionary Berlin. A trial of strength occurred in connection with the occupation of the Schloss and the Royal Stables, wherein the insurgent sailors had entrenched themselves, and which the Military Commandant of Berlin demanded to be evacuated. The insurgents refused; the soldiers fired upon them; and thirty lives were sacrificed at the altar of the Revolutionary Moloch. (24th December 1918). The representatives of the Minority Socialists thereupon resigned from the Directory (28th December), and their place was taken by Noske and Wissel of the Majority party. The accession of Noske was a veritable gain in those troubled times, since the new War Minister had all the resoluteness of Liebknecht, and all the ruthlessness of the best Prussian general of the *Real Politik*.

school. He lost no time in showing his mettle. Eichhorn, the Police Prefect of Berlin, was a Minority Socialist, with pronounced Spartakist, if not Sovietique sympathies. Finding him unamenable to offers of joining the Directory, the latter asked him to quit. He went straight to the Spartakist Camp, and the leaders there organised flamboyant demonstrations to evidence their sympathies. Had they been as firm and quick in action, they would have perhaps made a better success of their programme. But Noske stepped instantly into the breach. A volunteer corps was raised to defend the Reich. The general Staffquarters were moved to the greater security of the suburbs and the old Prussian army officers' corps was called upon to stem the tide of onrushing Revolution and anarchy. Noske has written his own apologia in the celebrated work *Von Kiel Bis Kapp*, to which the more critical student must be directed for an answer to the question as to how far the dangers of anarchy apprehended by the quasi-Dictator were real, and whether measures more gentle than he adopted would have succeeded in achieving the main end in view. For the moment, however, he himself can scarcely be expected to have had any time for such introspection or ratiotination. The offices of the Socialist organ *Vörwarts*, which the Spartacists had taken possession of, were stormed, (11-1-1919); and those found on the premises were given the first taste of revolutionary methods. The Prefecture of Police was the next to fall (12-1-1919), and with that came the end of the "Spartakist Week" so far as Berlin was concerned,

and of the proletarian Revolution as far as Germany was concerned. Liebknecht, the Spartakist hero, and Rosa Luxemburg,—the indomitable and yet amiable heroine,—met their deaths by violence, whether by the inevitable “accidents” of all revolutionary ferment, or by deliberate cold-blooded murder, it is difficult to say.

With the death of these mighty champions of unadulterated communism in Germany, the work of the provisional Government became relatively smoother. The Workers' and Soldiers' Councils were modelled on their Russian prototypes only in outward form. They had no real sympathy with the demands of the Spartakists; and when the Kautzky Commission, appointed in November to advise on the measures of socialisation, declared the first task of the nation to be a revival of trade and production, the dreams of a communist re-organisation of society as a *fait accompli* during the transition period were ended for good. The Directory honourably felt themselves to be trustees for the nation at large, and wisely refrained from attempting any ambitious programme of nationalisation even in regard to the key industries, during their temporary trusteeship, beyond some slight and overdue amelioration of the workers' lot. The elections for the National Assembly on January 19, showed distinctly the trend of the public sentiment, for the moderate or Majority Socialists polled 11.2 millions votes giving them 163 seats in the Assembly, the Minority 2½ with 22 seats, or both combined less than half the electorate (14 out of over 30 million votes), and less than

half the seats. The centre party got 6 million votes and 88 seats, and the Democrats $5\frac{1}{2}$ million votes with 77 seats, the Conservatives or Nationalists 3 million votes and 42 seats, and the National Liberals $1\frac{1}{2}$ with 21 seats. The Socialists combined made the strongest group, but not a majority ; and hence the need for a coalition Government. The Provisional Government yielded on February 4, its authority to the Assembly ; and the latter rewarded this loyalty by making Ebert President of the Republic, and Scheidemann his Prime Minister, appointing Count Brockdorff-Rantzau to the arduous and onerous task of the Foreign Ministry in the days leading upto the Treaty of Versailles.

I shall speak elsewhere of the task and achievement of this second Provisional Government. Here let me make a summary statement of the foundations of New Germany. The smouldering flames of Spartakism were making sporadic blazes all through February and March, now in the Westphalian coal-fields, anon in the Berlin workers of all degrees. But Noske was there, with his *Freicorps* and the Officers' corps and guns; and the revolutionary embers had little chance of a national ferment. Even the Munich revolutionaries had to yield after the murder of Eisner on February 21 ; and Brunswick fared no better. By the middle of the summer of 1919, while the National Assembly was yet accomplishing its task of reconstruction, the revolutionary movement may be said to have been finally broken, mainly by the firmness, strength, and even ruthlessness of Noske. The Treaty of

Versailles, of which I shall speak in another connection, had given rise to a new menace against the life of the new Republic—that of Counter-Revolution. But, taking stock of the situation in Germany in the midsummer of 1919, we find that the Reich is firmly established, in its new Socialistic sympathies, in the general esteem of the people, despite the revolutionary fervour of no insignificant section on the one hand, and the counter-revolutionary menace of the more conservative elements on the other. And the sureness of these foundations is due, in no small measure, to the strength and tenacity of the deep sentiment of the fundamental unity of the German peoples, which, despite all the vicissitudes of history, has persisted and permeated in all classes of the people. The national unity was achieved in part by the Hohenzollern Empire, which, however, threatened to destroy it by the very law of its being. For the empire was conceived in exclusiveness, born in bloodshed, and had been maintained mainly by the might of the sword. The new Reich still lacks the German-speaking peoples of Austria ; but that is not due, to any sentiment of exclusiveness on the part of the authors of the new Reich,—which is a Republican commonwealth under an Imperial garb,—such as found favour with the hardy Empire builder-Bismarck. Rather should it be accounted for by the suspicions and apprehensions of the enemies of Germany, who were anxious and striving for stripping Germany of every inch of territory they could possibly deprive her of, and in no way disposed to see their terror and nightmare of half-a-century aggrandising still further as the result of the cruellest and cost-

liest war in history. I shall have to say a word or two on the territorial losses or readjustments of Germany in another connection. Here let me only add, that the very fact that the German people could see the dread and anxiety of their neighbours in all their naked horror and intensity, sufficed to make them close up their ranks, sink their internal differences, and present a solid front to their enemies across the frontiers. The ancient rivalries of the Wittelsbachs of Bavaria with the Hohenzollerns of Prussia, or the antagonism of the Protestant North towards the Catholic south, were forgotten in the common danger created by the grasping apprehensions and nervous anxieties of their enemies. France would have liked, perhaps, to see a resurrection of Napoleon's Confederation of the Rhine under the protection of herself and as a buffer if not a barrier against the advance of Prussia ; and, if that were not permissible, she would certainly not have minded the parochial sentiment of Bavaria and Würtemberg manifesting itself in a permanent break with the Reich. But, despite her temptations, the constituent parts of the German Commonwealth held together, mainly because of this pervading sentiment of national unity. If the Treaty of peace forced away from Germany the ancient and integrated parts of her territory ; if her peoples were reduced in number and impoverished in resources ; if her enemies imposed terms which imperilled her very existence,—why, these were all reasons for a more intense, more exacting demand upon the nationalism and patriotism of the remainder. Hence this first and

the most important stone in the foundations of the new Reich.

Another and no less important foundation is to be found in the perception of Germany's true place—and may I also say her true mission—in the life of Europe, and the progress of mankind. I call this the foundation in *Reason*, just as I have termed the first a foundation in *Sentiment*. Germans had been nursed, at least since the days of Bismarck, in the school of what they called the *Real Politik*. It was not for these unshrinking realists to be dismayed by the sentiment of universal hatred the assiduous propaganda of their erstwhile enemies, no less than their own amazing prosperity in the generation preceding the outbreak of the War, had provoked against them. Rather did they find in it additional ground to serry their ranks still closer; to guard their Reich against any attempts at risky or premature experimentation on the very foundations of the social order ; and to requisition and co-ordinate everyounce of the national energy, not only to make good their own wastage of the War, but also to meet such burdens as their triumphant enemies might seek to impose upon them. All that would be impossible, unless the commonwealth of the German peoples were maintained in tact. The human factor, the builders of New Germany easily realised, would have to bear a double burden, increased in proportion to their loss or reduction of material resources, and the energy as well as courage to bear this heavy load in the days of calamity would be unavoidable, if the

overriding sense of the needs of the nation, the call of the Fatherland, were absent.

If the first factor I mentioned has imported depth to the foundations of the new Reich, the second may well be considered as applying the necessary cementing. And the third factor of economic necessity must, similarly, be considered to introduce the requisite width or breadth, to make the structure secure as well as durable. If the burdens of the Treaty of Versailles were ever to be borne at all ; if the jealousies and rivalries of Germany's whilom enemies were to be met and countered at all in the postwar world ; if the very existence of German life and industry were to be maintained, the call for a national unity and solidarity was imperative beyond all others. It must override all faction politics, and subordinate all class demands. The strength of the call may be gauged from the simple fact, that after the War the only dividing line among German politicians seems to run almost wholly along the economic differences in outlook. Socialists of all shades must be regarded as essentially the inexorable opponents of all forms of private property in the means of production, which must lead to an exploitation of one section of the community on behalf of the other. Catholics and Centrists of all description must be likewise considered as convinced and inveterate champions of these, as they believe, basic institutions of civilised society, and the fundamental rights of citizenship. And yet they have both co-operated for ten years now, in voluntary subordination of their own personal or party differences

in the interests of the common good. Can there be a stronger proof of the existence of this irresistible factor of national integrity and supremacy.

The last, but not the least, of the foundation-stones of modern Germany is supplied by that universal sense of moderation in practice, which can only be expected of a nation so highly, so widely educated, and so splendidly disciplined, as the Germans—despite their hours of intense, universal, unredeemed depression. We, outsiders, can hardly imagine the despair that must have gripped the very soul of such a proud people, when, though yet unbeaten in the field, they had to bear all the humiliation, all the degradation, all the *vix vicitis* of a smashing defeat. Nevertheless, they did not all lose their heads, and joined in a universal stampede for a national *harikiri*. Like France in the dark days of 1871, Germany showed herself greater and nobler than ever she had appeared in the brightest days of her prosperity. If the architects of the New Germany broke down the Spartakist opposition and prevented the Sovietique excesses being perpetrated on their Fatherland, the self-same hands also broke down the Kapp revolt, and overthrew the Bavarian particularism. They safeguarded the proletariat, and yet reassured the bourgeois; they secured to labour its just rights, and yet did not scare away capital from the land. They exiled the monarchs, but yet enlisted the unquestioning adhesion of all monarchists. The revered President of the Reich to-day was the commander-in-chief of the Provisional Government in the dark days of the November Revolution, even as he had been the master-mind of the brilliant vic-

tories of Tannenberg under the Kaiser. The Chancellors of the Reich have been, alternately, professed Socialists and Republicans, with equally declared monarchists and bourgeois ; and so also its Foreign Ministers. All that would have been unthinkable, had the makers of Modern Germany lacked in good sense and moderation. And their achievements would have been impossible, had they not perceived, through their very moderation, the new destiny of Germany—the new ideals that inspire her statesmen and influence her people. I shall illustrate this new vision of Germany later on in its appropriate place. For the moment, let me only add that the master-builders of to-day have succeeded in imparting to the rousing strains of their National Anthem a wholly new meaning, by their own acts in the past ten years. When, in the years before the War, they sang *Deutschland über Alles*, they conveyed to the stranger and the student amidst them a hint of pride and arrogance, which must needs sound a menace in ears accustomed but only too well to the strains of Jingo sentiment all over Europe. But now, after the tests and trials of the last ten years ; after the sufferings and achievements of the New Republic, the dispassionate listener of the same old time hears in its still rousing notes, not a note of defiance to one and all other nations of the world, but an injunction to all true German hearts to regard and revere the Fatherland above everything else—above party, above kinship, above religion itself, should any of these stand in the way of the Fatherland's safety, security, or solidarity. *Deutschland, Deutschland über alles.* Is not here a veritable object lesson ?

POST-WAR GERMANY:

An Object Lesson in National Reconstruction.

LECTURE II.

PANGS OF REBIRTH : THE REPARATIONS TANGLE.

LADIES AND GENTLEMEN,

To outline in this series the immense and multifarious difficulties that beset Germany in the first five years of her new life does not necessarily imply an unholy desire to rake up old sores. These are now fast healing,—and happily for all concerned,—for humanity at large. The record, however, of those dark days, when the entire economic fabric of the German nation was rocking to its foundations thanks, to the victors' demands for reparation, is useful, not only as a vivid proof of the vitality of the German nation and its powers of self-regeneration ; but also as an unforgettable object-lesson of what perfect discipline and patient self-reliance can achieve.

Before, however, we make an attempt at understanding the Reparations muddle, let us consider the moral basis, the historical justification, the economic necessity of the situation created by the economic and reparation clauses of the Peace

Treaty. The practice of European antiquity demanding for the victors all the human and material spoils of victory, as a matter of course, has been condemned, not only by impracticable idealists of the Norman Angell school ; but also by international jurists and even practical-minded statesmen. Our boasted civilisation has not, hitherto at least, been always proof against a periodical lapse into the savagery that we call war. But, custom hardening almost into positive law, and specific provision of a long series of treaties and precedent, are admitted to regulate the outbreak as well as the conduct of hostilities among the peoples calling themselves civilised, and likewise the resumption of normal peaceful relations amongst erstwhile enemies. In these, except Germany's own outstanding example after the war of 1870-71, there is little to countenance a heavy demand for war indemnities, territorial annexations, economic restrictions, and general reparation as the penalty of defeat. Germany had, indeed, made territorial annexations and exacted a war indemnity in that fateful year ; and her rulers—upto the conclusion of the Brest-Litovsk Treaty with Russia—had given no evidence of a change of heart. But the German people had learnt their lesson, and confessed their sins. They had dethroned and expelled their old chauvinist rulers, and refounded their system of national life on a wholly different set of ideals. The sins of the fathers may, it is true, be visited upon the children to the third generation ; and to the extent that the German people were called upon to make a just restitution of what they had taken away from their former enemies ; or even to the extent that they

were required to make adequate reparation for the damage they had done to their enemy-nations in the course and because of the war, there seems to be nothing inherently wrong in ethics or economics, or unsupported in history. Penalties, of course, can in fairness be imposed upon and exacted from the guilty parties only; and in causing the vast wastage of the world-war, the Germans were not the only guilty parties. But the moment was not opportune for a dispassionate determination of the question of war-guilt ; and the Germans were too helpless, too needy, too exhausted, to cavil about the exact degree of guilt ascribed to them. But because they had been compelled to write themselves guilty in this respect, they do not *ipso facto* cease to have any rights as human beings, and as a civilized people.

And yet this is what actually happened to them. They had demanded an Armistice, and accepted it despite its very stringent terms, on the faith of President Wilson's repeated declarations concerning the basis of a just peace, laying the foundation for a new world, wherein brute force will have forever been dethroned, and the ideals of human brotherhood installed instead. The Allies had, indeed, so far modified the President's original enunciation of the celebrated Fourteen Points in January 1918, as to withdraw the vexed question of the *Freedom of the Seas* entirely from this basis ; while on the restitution of Alsace and Lorraine even if it should defy the principle of " no annexation nor indemnities," France was too determined to listen to the President. On the question, again,

of reparation for damage done, the Allied Governments, replying to the President's note about the German demand for an Armistice, had laid down :—

“ In the conditions of peace laid down in his Address to the Congress on the 8th January, 1918, the President declared that invaded territories must be restored as well as evacuated and made free. The Allied Governments feel that no doubt ought to be allowed to exist as to what this provision implies. By it they understand that compensation will be made by Germany for all damage done to the civilian population of the Allies, and to their property, by the aggression of Germany by land, by sea, and from the air.”

This was the future and fruitful bair of all the misunderstanding, heart-burning and misery, that eventually occurred among allies as well as enemies in connection with the Reparation demand. Neither in the spirit, however, of the Fourteen Points, nor in their letter is there anything to justify in concrete the interpretation that was subsequently sought to be placed upon this qualification. These points included: “The removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among *all* the nations consenting to the Peace;” guarantees for disarmament all round; absolutely impartial adjustment of all colonial claims; evacuation and restoration of all invaded territories, subject to the

Reparation rider introduced by the Allies; restitution of Alsace-Lorraine; reconstitution of Poland with a clearly Polish population, and having direct access to the sea ; and the establishment of a League of Nations for the adjustment of international disputes, and the ultimate abolition of War. These seemed just, humane, and reasonable ; and on the faith of these, read in conjunction with the President's other historic pronouncements in the memorable year 1918, the new rulers of Germany had asked for an Armistice, and hoped for a treaty of a just peace.

II.—ARMISTICE TERMS AND REPARATION CLAUSES.

But they were destined to be disappointed and sadly disillusioned. The terms of the Armistice on November 11 were a foretaste in their severity of what Germany was to expect from the Peace Treaty ; for they included an evacuation of all conquered territories, withdrawal of the German armies beyond the Rhine, cancellation of the treaties of Brest-Litovsk and Bucharest, repatriation of allied prisoners, surrender of all war-material including guns, aeroplanes, rolling stock, and the fleet. 5000, locomotives, 5000 motor-trucks, and 150,000 railroad cars, together with securities and other values of over 8500 million francs, in addition to war material and stores in immense quantities, were thus surrendered. But following their national idiom which says "*L'appétit vient en mangeant*," the demands of the French and their allies went on growing, as each month the renewal

of the armistice afforded fresh excuses for charging the German authorities with delays in delivering the material. At each renewal, the German statesmen saw the idealism of the American President inspiring the Fourteen Points being relentlessly beaten back by the cynical patriotism of Clemenceau, the French premier, and the impulsive opportunism of the British Prime Minister. They had determined in their mind to inflict and fasten the entire guilt of the origin and havoc of the War on Germany ; they had resolved to treat her as an outlaw among nations, branded for ever with the mark of Cain; and they were bent upon recovering from her, not only the just restitution and adequate reparation that was their due, but also such guarantees as would for ever render Germany innocuous to the political position of the allies--which meant, at least on the continent of Europe, France. They wanted in other words a Carthaginian peace, and not a just settlement. And there was none in the Allies' Conference to say them nay, or to stay their hand. None paused to ponder over the reaction on the future history of a peace of force, breathing in every clause of it a note of insatiate revenge ; nor even to consider the reflex on those who were to exact these reparations, by the very fact and process of that exaction.

To understand the problem better, let us have a glance at the main provisions of the Treaty. We may leave out of this Lecture at least those provisions of this most complicated document, which are described therein under the head Political Changes in Europe or elsewhere. Even in these

political changes of frontiers, the loss of territory and population,—which in Europe alone amounted to one-tenth of the population and one-eighth of the area of the pre-war German Empire,—was not political only. The regions and peoples filched away from Germany were among the richest and the most industrious in the old Reich; while, if to them we add the loss of all colonies in Africa, Asia or Polynesia, the economic handicap on the trade as well as the productive capacity of Germany, created by the seemingly political changes only, is of the utmost gravity. Let us confine ourselves, in this summary, to the Reparation provisions and those economic clauses of the Treaty which had a close a vital bearing on the former. Parts VIII entitled Reparation and Restitution, IX, Finance, X, Economic Conditions in general, mainly concern our summary, though portions of the following sections relating to Ports and Railways (XII), or Guarantees, (XIV) are not without their economic significance, even apart from the political factors mentioned before.

Speaking of Reparations and Restitution proper, we find the most outstanding feature in that the Treaty defines only the nature of the damages for which Germany must make reparation, but not their exact amount, nor even the precise form in which the obligation imposed on Germany is to be liquidated. These two omissions,—unavoidable as they may have been at the time the Treaty was concluded,—have nevertheless proved the source of much of the bickering, animosity, and despair that followed. In pursuance, however, of the

limitation the Allies had deliberately introduced in respect of one of President Wilson's Fourteen Points relating to Indemnities, the Treaty makes Germany responsible in principle for *all* damage sustained by the Allies' civilian population, or their property, caused by German aggression by land, by sea and from air. (arts. 231-232 and Annex I).

"*Art. 231.*—The allied and associated Governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies."

"*Art. 232.*—The Allied and Associated Governments recognise that the resources of Germany are not adequate, after taking into account permanent diminutions of such resources which will result from the other provisions of the present Treaty, to make complete reparation for all such loss and damage."

" The Allied and Associated Governments, however, require and Germany undertakes, that she will make compensation for all damage done to the Civilian population of the Allied and Associated powers and to their property during the period of the belligerency of each

as an Allied or Associated power against Germany by such aggression by land, by sea, and from the air, and in general all damage defined in Annex I hereto."

The wording of these several clauses is, as you will notice, wonderfully astute. The first one might be construed as referring to *moral* responsibility only, and might with equal ease be shown to imply a *financial obligation*. The second, similarly, makes a show of generosity by referring to the resources of Germany; but the good the clause might have accomplished is more than undone by the stringent terms that follow.

Mr. J. M. Keynes, the economic expert attached to the British Peace Delegation at Versailles, has, in his two remarkable books on *the Economic Consequences of the Peace* (1919), and *A Revision of the Peace Treaty*, (1921, December), examined, with thorough-going erudition, acumen, and fairness, the scope and meaning, implied as well as express, of the Treaty provisions in this regard. And though the main problem the works deal with is in a fair way of being forgotten in all its intensity of nakedness it presented itself in to Mr. Keynes, the books are even to-day the most instructive reading on the subject. We shall revert to this matter later on. Let us here continue the summary. As observed already, the exact amount of this Reparation was left to be determined by a Reparation Commission (Art. 233) by 1st May, 1921; and the same body was to draw up a schedule laying down the time and manner in which the entire obligation

was to be liquidated, subject to the maximum of thirty years from May 1921. The date as well as the form of any payment due may be modified by this Commission out of regard to Germany's capacity to pay ; but it had no power to cancel any payment due, except with the consent of the several Governments represented on the Commission. (234).

Pending the constitution and functioning of the Reparation Commission, Germany was bound to pay, as a first instalment, within two years of the signing of the Treaty, 20 milliard marks in gold, or goods, or ships, as the Reparation Commission might determine. From this were to be paid the expenses of the armies of occupation, as well as such advances for food and raw materials, which Germany must have if she was at all to meet the liability imposed on her (235). By way of security for this debt, Germany was to deliver to the Reparation Commission bonds to the aggregate value of 100 milliard gold marks, 20 of which were to be paid not later than May 1, 1921; 40 of the remainder between 1921 and 1926, carrying interest at $2\frac{1}{2}$ per cent. in the meanwhile, and at 5 per cent. after 1926, with 1 per cent. sinking fund if not paid in 1926. For the balance, Germany was to give an engagement to issue 40 milliard gold marks bearer-bonds at 5 per cent., when the Commission was satisfied that Germany could meet the interest and sinking fund on the same (Annex II, section 12, to Art. 232). Interest at 5 per cent. was to be charged to Germany on the total of the Reparation Debt from 1921, though the Commission was

authorised to vary this rate of interest (Annex II, section 16).

Apart from these cash demands, there were obligations in kind specified in annexures III, IV, V and VI, of the Reparations Chapter. Germany was to replace, ton for ton and class for class, all merchant ships or fishing boats lost or damaged owing to the war, and to cede to the allies *all* German merchant ships of 1600 tons or more, one half of the ships between 1600 and 1000 tons, and a fourth of her smaller mercantile or fishing marine. In addition, and by way of further reparation, she was bound to build merchant vessels for the allies of not exceeding 200,000 tons per annum free of charge for five years. All river-boats of the Allies in German possession were to be restored, and a fifth of Germany's own river-fleet was to be handed over in reparation. (Annex III). All losses of the victors in animals, machinery, equipment and tools must be replaced by similar articles or animals from Germany, as well as material for reconstruction of all kinds. France and Belgium alone were to receive within 3 months after the Treaty 700 stallions, 40,000 fillies and mares, 140,000 milch cows, 40,000 heifers, and 4,000 bulls. (Annex IV). In coal and coke,—the most important articles of deliveries in kind,—Germany must deliver to France 7 million tons per annum for 10 years, and make up the deficiency in French coal production due to the destruction of coal mines in that country by the War, up to a maximum of 20 million tons on that account for the 1st five years, and 8 millions for the next five ; to Belgium 8 million

per annum for 10 years, to Italy upto $8\frac{1}{2}$ million tons per annum for ten years. This makes a maximum coal delivery in the first five years of $43\frac{1}{2}$ million tons. Germany was to be allowed credit for these at the rate of the German pit-head price to Germans, *plus* cost of transport to the frontier of the receiving country, but not exceeding in any case the British export price at pit-head *plus* transport. Coke could be asked for in proportion of 3 tons of coke to four of coal ; and for three years after the Treaty, Germany must deliver to France 35,000 tons of Benzol, 50,000 of coal tar or corresponding products of distillation, and 30,000 tons of sulphate of ammonia. (Annex V). Further, dye-stuffs and chemical drugs upto 50 per cent. of the stock in Germany on the day the Treaty came into force, *plus* $\frac{1}{4}$ of the normal production in this department until 1st January 1925, was to be delivered at pre-war net export price, together with such increase in the cost of production as may have come to be in the interval. (Annex VI). The prices of all these deliveries were to be fixed by the Reparation Commission, and to be credited by them to reparation account. But no credit was to be given for property restored, (Art. 238—243), which was regarded as a simple act of restitution.

In addition to the foregoing, private submarine cables ceded by Germany ; deliveries of commodities, not including war-material, made under the Armistice ; coal mines in the Saar ceded to France ; payments made by those powers to whom German territory was ceded ; and the value of the German

citizens' share in the public utilities concerns in Russia, China, Austria Hungary, Bulgaria, Turkey—so far as the Commission orders transfer of these rights—were to be credited to the German Reparation account.

France received Alsace Lorraine free of any portion of the Reich debt that may be justly chargeable to that portion of the Reich dominion, and of any compensation for the Railway and their plant and rolling-stock in those regions. So, too, Belgium, in respect of the public properties in any territories that were ceded to her from Germany. And all colonies had to be forfeited without any compensation to Germany.

The Reparation Commission was to be composed of one delegate and one assistant from each of the principal allies, *viz.* U. S. A., England, France, Italy, Japan, Belgium and Servia. At every meeting the delegates of the four chief allies, U. S. A., Britain, France and Italy, were to record their votes, while Japan took part in those questions which specifically concerned her or in questions pertaining to the sea. Servia was confined only to matters relating to Austria, Hungary or Bulgaria. The Chairman is elected annually, and the meetings are as a rule private. Decisions are usually by majority; but in certain cases, such as the postponement of the Reparations provisions beyond 1930, unanimity is necessary. General supervising authority was granted to the Commission over the question of the German capacity to pay, as well as the German financial system. Reparation pay-

ments are made by Art. 248 a first charge on all, assets and revenues of the Reich, subject to such exceptions as the Commission might approve. Not the Commission itself, but the unanimous decision of the Governments represented on it, can alter the rights and duties of the Commission under Annex II. Articles 17 and 18 of Annex II define the measures which may be taken by the allies and their associates in case of Germany's voluntary default in regard to reparations ; and these comprise economic and financial prohibitions, reprisals, and other steps, that the Governments concerned consider it necessary under the circumstances to adopt. These were later spoken of as *sanctions* ; but they do not include anywhere occupation of German territory by way of penalty.

In addition to these provisions, a number of *ad hoc* clauses inflict specific, and unconnected hardships on Germany, whose very wording shows the allies had among them no definite plan. The total cost of maintaining the armies of occupation is, for example, charged to Germany from the date of the Armistice in priority even of the Reparations. It is payable in gold marks, except that portion expended in purchases in Germany, which is to be paid for by the German Government. Germany was likewise made responsible for the debts of her citizens to the nationals of the allies incurred before the war, and in so far as the allies might adopt a clearing system for the purpose. If Germany was found, on balance, the debtor, the balance had to be paid up at once ; if she was found to be a creditor in the monthly clearings, this credit ba-

lance was to be retained by the allies until all the obligations under the Treaty were met. A number of mixed arbitral tribunals were set up by the Treaty to decide claims for damages, suffered by allied citizens from the extraordinary war-measures of Germany. The German Government had, finally, to compensate all its own citizens for losses incurred by the confiscation of the private property of these individuals by the allies ; and so far as the liquidation proceeds of this property, were not used by the allies to indemnify themselves or credit to Germany in the monthly clearings, the same might be credited to the Reparation account.

Of the clauses not expressly or directly related to Reparation, and having still an intimate vital bearing on that problem, the chapters dealing with Finance (IX) and Economic conditions in general (X) are most noteworthy. The powers to which German territories were ceded were required to bear a certain portion of the German pre-war national debt. But the amount of this obligation imposed on Germany's neighbours was to be determined by the Reparation Commission ; and the basis according to which that body was to fix that liability was prescribed by the Treaty in the ratio of the revenues of the ceded districts to Germany's total revenues in the three years preceding the War. France, however, was exempted from this obligation in respect of Alsace-Lorraine, following Germany's own precedent in 1871 in respect of these territories. But in 1871 Alsace-Lorraine had not the Railways and the industries which German enterprise had created there in the interval ; and

France, acquiring all that capital investment free from any compensation obligation, could scarcely base herself in justice on that precedent. Poland, too, created out of German cessions, was free from this obligation in respect of debts incurred by Germany for the oppression of that country—a handsome and respectable analogy for the Russian Bolsheviks to repudiate all debts of the Tsarist regime. Poor as this analogy and reasoning appear, even they are utterly lacking in respect of the exemption from these obligations granted to the mandatories of the League of Nations to whom were assigned the German colonies.

On the purely fiscal side, Germany was bound not to discriminate in any way against the trade of the allies with Germany. Their vessels were to enjoy in Germany the most favoured nation treatment for 5 years ; while the trade as a whole was protected by a special stipulation, which required Germany to stop all “unfair competition” of Germany’s own industries ; not to impose on the allied citizens any restrictions which were not in force before the war ; nor to regard as German Citizens those of her nationals who had naturalised themselves in the allied countries. The German rivers—like the Oder, Niemen, Elbe and Daunbe—were internationalised ; and perfect freedom of transit was to be accorded to the persons, goods, and vessels to and from the allied countries. The rivers were to be administered by international commissions, on which Germany was placed in a permanent minority. Labour conventions of all sorts are imposed on Germany to restrict, it would

seem, her productive capacity still further ; and, by way of guarantees for the fulfilment of these obligations, German territory to the West of the Rhine would be occupied, and will not be evacuated except after, 5, 10 and 15 years in instalments, subject in each case to the prompt and diligent discharge of her obligations by Germany. On the other hand, should Germany fail to discharge her obligations, the whole or part of the areas specified will be reoccupied immediately.

III.—CRITIQUE OF THE TREATY.

Looking at these provisions of the Treaty in the aggregate, and considering for the moment merely the logic and technique of the draftsman, one wonders if they who made up this Treaty paid any attention to the mutual harmony of its several clauses in the several parts. Germany of course was left no alternative but to accept a *fait accompli*. At no stage during the deliberations and negotiations preceding the drafting of the Treaty, among the allies themselves, were the German representatives either allowed to participate, or even consulted with reference to any specific point in which Germany could be interested. The German Peace Delegation headed by Count Von Brockdorff-Rantzau, only recently deceased, was treated as a criminal brought to justice ; and though in conformity with this analogy, the prisoner at the bar was allowed to say his say in mitigation of the punishment intended for him, the judge did not feel himself bound in any way to respect the prisoner's *apologia* or exculpation. The conception of Germany in the predominant allied mind, at

the time of the Treaty, was voiced by Poincaré four years later, when the impracticability of the mutually inconsistent Reparation clauses had become painfully evident.—

“ England has an entirely erroneous conception of Germany. One cannot deal with Germany on terms of equality, and one must not expect Germany to live up to a voluntary argument. Germany has always attempted to evade her obligations, because until now she has not been convinced of her defeat. France has learned by sad experience that Germany as a nation will keep her word only under the pressure of necessity, and only when she realises that she is dealing with a superior power; and this she has never realised since 1919.

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As Germany will do nothing except under compulsion, compulsion must continue, and be carried through without weakness. * * * * *

The pledge must not be released until Germany has met her obligations. Above all the pressure must fall on German industry, as the heart of the resistance and an ever present menace to French and Belgian industries.”

(Quoted in Bergmann : *History of Reparations*, pp. 197-98).

This being the prevalent attitude even amongst the chief architects of the Treaty, it is no wonder that each of them sought to put in his own particular hobbyhorse, or provide against his own particular bugbear, without any regard to the mutual bearing of their several demands upon the instrument as a whole. Says the painstaking historian of the Reparations :—

“ The fundamental psychological mistake of the authors of the Treaty was their complete failure to envisage a maximum amount which it might be possible for Germany to pay, or at least to entrust a single body with the supervision of the German payments.” (Op. cit., p. 16).

This peculiarity has also been noticed by that other brilliant student of the problem : Mr. J. M. Keynes. It is, indeed, unavoidable to notice, by whosoever knows the history of Europe. In 1871, Germany had imposed a war indemnity on France. But, in marked contrast with the Treaty of Versailles in 1919, the Treaty of Frankfort had fixed a definite sum payable in cash ; and as the sum was well within the ability of frugal France, the victors of Sedan must have been most disagreeably surprised to see the entire indemnity being paid off in less than 3 years. Wiser perhaps by this experience of her enemy, France in 1918 was by no means inclined to let off Germany quite so cheaply under any eventuality. She insisted on the general principle of complete reparation for damage done

by German aggression to allied citizens or their property by land, by sea, or from air ; and then deliberately refrained from fixing a lump sum in the Treaty itself as representing that damage. The reason was perfectly clear. The German delegation had themselves offered to make a total reparation payment upto 100 milliard of gold marks, of which 20'milliards was to be paid off before May 1926, and the remainder by annual instalments without interest, in proportion to the budget surplus in Germany, derived from a taxation which was to be in no case less heavy than the heaviest taxed country of the allies. May it not be that there were hidden possibilities for applying the screw, which Clemenceau was by no means disposed to disclose to his unsympathetic colleagues in the supreme Council or Peace Conference of the Allies ? He, therefore, left the exact amount of the reparation debt to be determined by a Reparation Commission —as also the form of its payment and the time— subject to maximum time-limit prescribed by the Treaty. Meanwhile, however, precautions were taken to see that the payments were not made by Germany in such form as might endanger the allies' own internal economy ; or with such rapidity as might defeat France's ultimate objective in view. Deliveries in kind were, therefore, expressly prescribed, in quantities and on conditions which could not but suck out the last ounce of wealth or energy from Germany.

" We will get out of her all you can squeeze out of a lemon, and a bit more," had said Sir Eric Geddes in the Guildhall at

Cambridge, in December 1918. "I shall squeeze her until you can hear the pips squeak."

And as Mr. Lloyd George had won his General Election—the most beautifully if also the most immorally timed—in this spirit, it was impossible for the only ally of France, who could if she had so willed to, apply the brake.

Besides ill-considered, ad hoc demands, the Reparation, financial, and economic clauses of the Treaty bear no relation whatever to either the capacity of the debtor to pay, or the need of the receiver to absorb. The Reparation provisions were, as already noted, conveniently vague. Taking advantage of this indefiniteness, unscrupulous ministers and publicists in the allied countries went on feeding the public imagination by the wildest possible estimates of the amounts to be recovered from Germany. The total cost of the War, to the allies, estimated at various figures from £24,000 million upwards, was the only satiation point, if there could be said to have been any. And the people who put forward such wild estimates had naturally no concern with such cold uninspiring facts, as to whether or not Germany could possibly meet even the annual charge resulting from such preposterous demands. A Reparation demand for £24,000 million would mean an annual charge of £1,200 million—or more than 5 times the entire German Budget before the War. Mr. J. M. Keynes writes, with reference to the clause requiring reparation for "all damage done to the

civilian population of the Allies and to their property by the aggression of Germany, by land, by sea, and from the air."—

"But there are not only the limitations of the phrase in its natural meaning, and the emphasis on *civilian* damages as distinct from the military expenditures generally ; it must also be remembered that the context of the term is in elucidation of the meaning of the term "restoration" in the President's Fourteen Points. The Fourteen Points provide for damage in invaded territory—Belgium, France, Roumania, Serbia, Montenegro (Italy being unaccountably omitted); but they do not cover losses at sea by submarine bombardments from the sea (as at Scarborough), or damage done by air raids. It was to repair these omissions, which involved losses to the life and property of the civilians not really distinguishable in kind from those affected in occupied territory, that the supreme council of the Allies in Paris proposed to President Wilson their qualifications . At that time—the last days of October 1918—I do not believe that any responsible statesman had in mind the exaction from Germany of an indemnity for the general costs of the War." (*Economic Consequences of the Peace*, pp. 105-6).

All that those statesmen sought to achieve was an emphasis on *civilian* damage in non-invaded countries. And in conformity with this not unfair interpretation of the preliminary negotiations for peace, the same talented writer considers the categories for such damage, in the case of Britain, to comprise, damage to civilian life and property from air raids and naval bombardments, submarines and mines, together with compensation for improper treatment of interned civilians. The justice of this last is by no means clear. But it is far more understandable, and even admissible, than the charge for pensions and all other compensations paid by the allies to their fighting forces and their dependents, which is specifically included in the Reparation Bill by Annex. I to Art. 232 of the Peace Treaty, Paras. 5, 6 and 7. Mr. Keynes, however, is specially indulgent in the case of France, to whom he allows all damage to civilian property and persons in the war area as well as by air-war behind the lines ; compensation for loot of goods, material, live stock, machinery, household furniture ; repayment of fines and requisitions ; compensation to deported Frenchmen for forced labour; and the expenses of relief commissions providing food, etc., to civilians in the occupied regions. So, too, for Belgium. Germany being assumed and declared to be responsible for all this damage, and even sometimes for the damage done by *her* allies, —e.g., by the Turks to the Suez canal—Mr. Keynes proceeds to make an estimate, on the best data for the subject he could find, of the total bill presentable to Germany on this account ; and comes to a total of £2,120 million, distributed as follows : France

£800 million ; Great Britain £570 million ; Belgium 500 million, and other allies £250 million. I do not think this estimate errs on the side of undue indulgence to Germany. But in contrast with such demands, as that of M. Dubois for France alone of £2,600 million *as a minimum*, this cannot but sound eminently reasonable and moderate. And he himself, aware of the large element of guess-work in his estimate, has indicated two extreme limits—not less than £1,600 million and not more than £3,000 million—within which the just figure may safely be assumed to lie, without undue injury to Germany, once she had agreed to accept the obligation.

But this has further to be considered in the light of Germany's ability to pay. The authors of the Versailles Treaty offended in this regard even more than in their methods of making up the aggregate demand for reparations. I can give here only a single illustration to elucidate this grave defect in the Treaty. I have already mentioned the deliveries in kind to be exacted from Germany under the Treaty. Take of this the case of coal only. Germany was to deliver coal to the tune of 43½ million tons per annum for the first 5 years. Her total production in the most prosperous time before the War was 191.5 million tons, of which 19 million were consumed at the mines ; 139 millions consumed by Germany's own railways, ships, household needs and general industry ; leaving a balance of 33½ million tons as a veritable surplus for export ! Under the Treaty, however, Germany was to lose Alsace-Lorraine, the Saar Basin, and

Upper Silesia, which produced 60.8 million tons in the same pre-war year. The maximum output in the New Germany must, therefore, be taken at 130.7 million,—or allowing for pit-head consumption of 10 per cent,—not more than 118 million tons. Out of this at least 40 million tons were to be devoted to Reparation, leaving Germany less than 78 million for domestic consumption. All this is, however, on the assumption that Germany's ability to produce in men and machinery remains the same as before the War. As a matter of fact, that factor was very much affected by the privations of the War ; and it would be an optimistic belief to hold that Germany after the war could really produce even 100 million tons. On the other side we must remember, that if her industry is to create a balance—a surplus—for paying the Reparations due, that industry must on no account be starved of the motive-power. And yet that is precisely what the Treaty does in respect of these and other like provisions, another proof, also, of the mutually inconsistent character of the several parts of the Treaty.

The real explanation for this inconsistency, incongruity, and unfairness lies in the absence of a definite, inspiring purpose. The Treaty was drawn up at a time when war-passions were still at white heat ; when the principal actors in the drama had had no time to give a thought to the main motive of the peace. They were, moreover, tied down still further by their own commitments in the shape of election-pledges and mob pressure, not to mention their own peculiarities of temperament and

environment. Under those conditions, there was naturally no time to think out calmly the aim and purpose of the Treaty ; as well as its reaction in practice upon the fate of Europe as a whole, not to say humanity at large. Provisions were, therefore, inserted as they occurred to the chief partners in the alliance, or as they suited the peculiar needs or idiosyncrasies of any of them, without regard to the effect of the Treaty as a whole. The several clauses were for the same reason drafted in a manner so as to manage the susceptibilities of all partners, and at the same time not to give up the real aim of any one of them inspiring or dictating a particular provision. The result is, therefore, unavoidably a hotch-potch of mutually inconsistent requirements, making the whole appear lacking lamentably in a clear purpose.

IV.—CONFLICT OF MOTIVES.

The absence of a clear intelligible and acceptable purpose running through the Treaty is, in its turn, due to the conflict of motives between the principal makers of the Treaty. Their motives, though nowhere clearly stated in so many words, fall, I think, into one or more of the following four catagories, each with its correlation to the several causes of the War and its continuance. Written large across the entire framework of the Treaty is the outstanding motive of French statesmanship, aiming at the complete humiliation and political ruin of Germany, so that the German menace to French integrity and domination on the Continent may vanish for ever. The territorial annexations

from Germany were almost all of this nature, however they may have been explained away to the pedantic President Wilson, or justified to the shrewd but impulsive Prime Minister of Britain. The annexation of Alsace-Lorraine would have been a simple act of restitution, had the French Government not been exempt from making a just compensation for the immense capital values acquired along with the territories in the shape of the railways and rolling stock. The return of Eupen-Malmedy to Belgium after 80 years of unbroken German possession ; the exclusion of Luxembourg from the German Zollverein : and above all the creation of an independent Poland out of bits of integral German territory, like Silesia—German since the days of Frederick the Great,—or parts of Western Prussia, together with the grant to Poland of a direct access to the sea in the shape of the purely Prussian port of Danzig, can have no other explanation. Germany was to be dismembered. If the pedantic insistence of the American President would not permit the separation bodily of all the Rhenish provinces, the Palatinate and Bavaria from the Fatherland, to be made into independent units under French protectorate, there were other devices of achieving the same end. The free port of Danzig and the Polish corridor drove a most effective wedge between integral parts of Germany, making that country for ever humiliated in the eyes of those that still accepted the narrow nationalist standards governing the statesmen of France. Incidentally, Germany was girt round along its frontiers with sixteen different states or powers—each a possible enemy, and some, like France or

Poland, definitely hostile. The possibility, on the other hand, of accession of strength to Germany by the absorption of German-speaking Austria in the Fatherland was carefully eliminated by a masterpiece of draftsmanship. The President had insisted on self-determination ; and there was just a chance that German-speaking Austria might, if it was left to itself, declare for an amalgamation with Germany. This must not be ; and at the same time it would not do to lay down a blunt prohibition against Austria joining Germany, lest the President might see in it the infringement of his pet theme of Self-Determinism for the peoples of the world. The Treaty, therefore, provides :—

“ Germany acknowledges and will respect strictly the independence of Austria, within the frontiers which may be fixed in a Treaty between that State and the principal Allied and Associated powers ; she agrees that this independence shall be inalienable, except with the consent of the Council of the League of Nations.”

This means in practice the consent of France ; for in such matters, by its very constitution, the league decision must be **unanimous** ; so that the single vote of France cast against the Union would suffice to prevent its accomplishment. And yet the President could not possibly ask for better ; for was not his pet child—the League of Nations—set up in a position of respect, and invested with authority over the fate of nations ?

Equal in importance—as well as in effect—upon the actual draft of the Treaty was the purely economic motive which actuated, subconsciously if not admittedly, some of the allies of France, notably Great Britain. The trade rivalry of Germany before the War was becoming unbearable to Britain. In every market in the world, where British goods had reigned supreme throughout the nineteenth century, German goods had made a bold bid for effective rivalry. In every instance in which Britain had claimed unchallenged supremacy as the workshop of the world, Germany was beating her hollow even before the century was out. England might scoff at the trade-mark of “made in Germany” as being equivalent to “cheap and nasty.” But her commercial travellers were telling a different tale to her merchants and manufacturers of German industry, reinforced by German science, German assiduity and thoroughness, leading them to study the needs and conditions of the market better than ever before they had been studied by the lordly Englishman and his master the Scotsman, who considered the monopoly of the world-markets as their sacred birth-rights. If this rivalry was to disappear and this menace to vanish, the Treaty of Peace must see to it that Germany had economically no leg to stand upon. Hence the surrender of the German fleet and mercantile marine, which, under the name of reparation, benefitted almost exclusively Britain alone. Hence the surrender of the German colonies to be administered mostly by Britain or her Dominions, under the respectable cloak of being mandatories for the League of Nations! Well

might France wonder at what seemed to her to be British duplicity, which, while swallowing at a gulp the fleet and the mercantile marine of Germany and acquiring her colonies, still jibbed at France insisting on her bond for reparations, the whole bond, and nothing but the bond. She had stipulated for a pound of flesh, and she must have it. No Daniel come to judgment could deflect her from her course ; for the law awards it and the court decrees it. She forgot, however, that Britannia could play Portia as well as another, and make Uncle Sam a convenient judge to be her pliant tool ? She forgot that every insistence of France on her rights under the Reparation clauses must mean a revival of German industry, must intensify international competition, chiefly against Britain ; and must, by that inexorable process, force Britain into the ranks of France's antagonists. And so these two portions of the Treaty, inextricably interwoven as they were, became inevitably antagonistic mutually. In the progress of the Reparations tangle, in order to get a smooth solution, Britain offered to France to cancel the latter's indebtedness to the former, with the exception of the French gold deposited in the Bank of England that was not to be returned. But France had already seen through the Pecksniff from across the Channel, whether he wore long love-locks and called himself Lloyd George, or had a dour Scotch look and was known as Bonar Law. And so, after the Treaty, there was no reconciling of these fundamentally divergent viewpoints, in spite of all the press notes proclaiming "complete accord " among the allies.

France had herself agreed, no doubt, to the economic and Reparations clauses. But to the French Statesman they only represented an extra turn of the screw on Germany to complete the latter's political ruin. If they succeeded in squeezing any actual Reparation in cash or kind out of Germany, why, so much to the good. The French and the Italian Budgets were lacking too painfully in equilibrium not to welcome the Reparations clauses for their own sake. M. Clotz, the French Finance Minister of the day, and a participant in the Peace Conference, was fully alive to the possibility of rectifying the French Budget by the income from Reparation; and, ever after, the French Financier has not been able altogether to banish all hope from this quarter. In the purely financial anxieties of some of the Allies, thus, we may find a third motive dictating the Reparation and economic provisions of the Treaty. Whatever, however, the immediate importance of these clauses to the financier, the master-mind of French statesmanship, from Clemenceau to Poincare, has never forgotten the overriding importance of the political factor. Accordingly, we may justly dismiss this purely financial motive as unimportant, if not quite ineffective, or irrelevant.

The desire to obtain an exact or adequate reparation for actual damage done or estimated was, of course, the most prominent motive from the very start of the Peace Conference. The precise volume of the Reparation demand proper seems to have expanded in proportion as the helplessness of Germany became more and more evident to

her old enemies. In conjunction with the ulterior motives already mentioned certainly, we may accept Mr. Keynes's statement that, at the time of the Armistice negotiations, no responsible statesman in Europe had dreamt of recovering the whole or any very considerable part of the War cost and wastage from the enemy. The professions of the allied statesmen about the guiding principles of the War on their side had been too clear to admit of any question on the subject of making wars self-supporting by exacting heavy indemnities from the defeated enemy, thereby deepening the world's heritage of hatred, and so ensuring the popularity of war. When, however, the allies felt Germany was on the eve of crumbling up, they introduced the Reparation clause already mentioned in the Peace preliminaries through President Wilson. Here at any rate was the possibility of a definite guide or measure for their demands upon vanquished Germany, in welcome contrast with the indefiniteness of the wilder political or economic motive. But in the absence of any chastening touch of a correlation with the ability of the enemy to bear the burden, the demand was bound to prove exaggerated. And when the substance of the demand was uncertain of fulfilment, the technique of recovery was necessarily left unconsidered. The provisions of the Treaty required every sufferer from War in the allied countries to send up what demand he liked. There was neither the machinery nor the incentive to check or scrutinise each such demand, before it was consolidated into a general demand of the country concerned, to be sent over to the Reparation Commission, for the

latter to exact payment as best it could. No wonder the problem of the mere technique of recovery became in course of time one of the greatest difficulties of the reparation problem.

This survey of the chief motives influencing the several allies in their dictation of the Peace terms would suffice to show that they aimed each at satisfying their own particular needs, and failed to take into account the reaction of their demands, if fulfilled, on European economy in general and much less on the world. The intricate framework of modern organisation, through its innumerable links of international trade and finance, will not allow any single member of the group of advanced commercial nations to be destroyed, either by the forced penalties imposed by its enemies, or by acts of voluntary bankruptcy of itself, without involving in the destruction all its neighbours and customers. France and her allies were, in their moment of triumph, regardless of this consideration. They concentrated all their energy and ingenuity on devising ways and means to humiliate, weaken, and destroy Germany, politically and economically. They never paused to consider how the mere process of transferring to themselves those vast quantities of material and valuables they had demanded would react on their own industry, both at home and abroad ; their own internal economy of price-level and monetary regulation. And when in the course of the subsequent events it became more and more apparent that Germany could not pay all that the allies demanded of her ; that, if she could pay, the very payment

would not be desirable from the Allies' own point of view ; that in the process of liquidating the demands for reparation, reactions would set in which cannot but affect injuriously the allies even more than Germany, they blamed the Germans and not their own short-sightedness ; and demanded " productive guarantees," which had no prospect of being productive or even to guarantee any payment. The vicious circle of distrust, suspicion, and hatred was completing itself in the years following the War, at the hands of those very persons who had boasted of fighting this war to end all wars in the future.

V.—STORY OF REPARATIONS FROM VERSAILLES TO RUHR.

The story of these painful years of gradual disillusionment I have no time to lay before you, nor would it serve any good purpose to detail it at this time of the day. Those of you who are interested in it, if only as a noteworthy phenomenon in national psychology, may be referred to the standard *History of Reparations* by Karl Bergmann, who had been intimately associated with the question in one capacity or another throughout the continuance of the question. Mr. Keynes's famous works on the *Economic Consequences of the Peace* and a *Revision of the Treaty* are contemporary productions, reflecting, in an admirable degree, the student's point of view, in spite of the appearance of advocacy of a particular case in parts. Between them they will give you all the material particulars, historically as well as economically, bearing on the

matter. There are other works by Americans as well as Frenchmen, which would afford the student a new angle of vision ; though I doubt if they could give him anything new or substantial not found in the standard classics on the subject already named.

In the brief sketch necessary to append here, there is no room for even a mention of all those innumerable Conferences and negotiations between the Allies and Germany, which were supposed to end always with complete accord amongst the Allies but which really served only to widen the breach. The only point worth noticing is that in the Spa Conference of July, 1920, the Allies determined their respective shares of the spoils as follows :—

| | |
|-------------------|-----|
| France | 52% |
| Britain | 22% |
| Italy | 10% |
| Belgium | 8% |
| Japan | 75% |
| Portugal | 75% |
| Rest | 6½% |

Before the date April 1921, when the Reparation Commission presented its report recommending 132,000 million gold marks as the total value of the Reparation claim, Germany had already made deliveries, in cash or kind, aggregating over 5,000 million gold marks. These, however, were either swallowed up by the allied armies of occupation (2.1 milliard gold marks, without counting the cost of the American army), or not received by the Reparation Commission at all, but simply adjusted on capital account by the allies themselves. The

sacrifices and hardships imposed on herself by a suffering Germany were of no avail to render a real benefit to the damaged homes and fields and factories of their enemies. And that was a foretaste of the future of Reparations, which the allies would have done well to ponder over even then. As it was, the London schedule of payments required Germany to deliver bonds of A, B and C class for 12 milliards by 1st July 1921, 38 milliards by November 1, 1921, and 82 milliards on the same day respectively. A and B class bonds may be issued to the public at any time ; but C bonds only when the Commission was satisfied that Germany was able to provide for the interest and sinking fund on these bonds—interest on all bonds being at 5 per cent, and sinking fund at 1 per cent. Until all these bonds were redeemed, Germany must pay annually 2 milliard gold marks, and 26 per cent of the value of her exports. As a first instalment, one milliard gold marks must be delivered at once in gold, foreign currency, or treasury drafts for 3 months, endorsed by the leading German banks. A Guarantee Commission was to be established in Berlin, with the special security for those payments in the shape of the German Customs revenue by land or sea, together with 25 per cent of the German exports, and such other direct and indirect taxes as may be agreed upon between the Committee of Guarantees and the German Government. The demand was addressed to the German Government, with all the bluff and threats of occupying German territories which characterised the allied proceedings in those days. No time was given to Germany to deliberate, and much less to make counter-

proposals. The Allies' demand was an ultimatum which had to be accepted at the point of the bayonet ; and, after the then German cabinet had resigned, the new Government of Dr. Wirth entered upon the policy of fulfilment.

The year and a half which followed the London schedule of payments of May 1021, made increasingly evident Germany's inability to meet these burdens, even though the spot value of the aggregate demand of 132 milliard gold marks was only 50 milliards. Germany met somehow the immediate demand for one milliard ; but she found it increasingly difficult to meet the quarterly payments of the fixed annuities. She had no present values to hand over. Her exports to foreign markets were by no means welcome there ; and a tax of 26 per cent would be the surest means of strangling such export trade as was still struggling on. Where else, then, was she to find the wherewithal for these payments ? She sold her own currency to purchase dollars—with the result that the exchange value of the mark began to fall precipitately ! The story of the Mark, its fall and recovery, I will reserve for another lecture. Here I will only add that once the printing press had been set into motion to manufacture paper money, there was no check ; and the demoralisation of the entire economic life of Germany became geometrically progressive.

Germany thereafter found it indispensable to get some breathing space, and so asked again and again for a temporary suspension of payments just enough to enable her to set her own house in order

the more effectively to meet the Reparation demand. But the temper of the French Government changed for the worse by the advent to power of the ex-president Poincaré, whose insistence on the letter of the bond made a tragic-comedy unequalled in the history of the world. The allies became sharply divided among themselves. The British note of August 1922,—called also the Balfour note,—offered to cancel the allies' debt to Britain and to forego Britain's share to the Reparation, if France agreed to a more moderate and reasonable settlement of the Reparation question. Poincaré refused, and went on charging Germany with wilful default, thereby necessitating the application of stringent sanctions. On 26th December, 1922, the Reparation Commission declared that Germany had failed to make full deliveries of timber to France as stipulated for the year; and that this constituted a wilful default, though the British delegate voted against that judgment. The allied Premiers met in conference at Paris on January 2, where Bonar Law unfolded the British plan for settling the Reparation question by substituting for 132 milliards 50 milliard gold marks as the sum total of the claim, by deferring interest on these bonds for 4 years, and charging only 4% for the next five years. The deferred interest may demand additional 5% bonds in 1933, if the Reparation Commission was convinced the extra burden was within the German capacity to pay. Germany thus received an automatic moratorium for 4 years, and was given a slight relief in the annual burdens for 5 years thereafter, while the maximum annual charge was not likely to exceed

$3\frac{1}{2}$ milliard gold marks. The payments, finally, were to cover *all* the financial obligations of Germany under the Treaty, including the expenses of the Army of occupation. Britain offered, as a set off against these sacrifices of her allies, the cancellation of the latter's debt to herself, on condition that Belgium waived her priority to the Reparation payments, and France and Italy agreed to forfeit their gold deposited in the Bank of England. This, however, was utterly unacceptable to Poincaré, and the Conference proved abortive. Britain retired from the active alliance, and France proceeded to occupy the Ruhr on her own initiative!

The struggle in the Ruhr in 1923—the darkest year in Post-War Germany, it is equally needless to detail. France was out to apply the screw; and Germany replied at first by a wholesale programme of Passive Resistance. Feelings became exceedingly hostile, and meanwhile the main question remained as far from settlement as ever. Deliveries in kind were suspended by Germany; but still the mark went rocketting downwards. The entire German economy was on the verge of disruption, when at last America stepped into the breach. The Reparation Commission took the bit in its own mouth, and appointed, on November 30, 1923, two Committees of experts, one to consider the means of balancing the German Budget and the measures to be taken to stabilize German currency, and the other to consider the means of estimating the amount of exported capital and of bringing it back to Germany. Not a word was said about the Ger-

man capacity to pay, about Reparation in general, or about the Ruhr. The plan sounded harmless to Poincaré, particularly as the Commission had included the theme of the flight of German capital in the enquiry. The two Committees were thus soon accomplished facts, the former presided over by General Dawes from America, and the latter by Mr. Reginald Mckenna of Britain.

XI.—THE DAWES PLAN.

The Dawes Committee at the very outset of its career found the ostensible problem for which it had been originally called together in a fair way of solution. I shall describe to you in another lecture, how, in November 1923, on the eve of economic collapse, Germany had miraculously succeeded in restoring its currency, and was in a fair way to solve its Budget problem too, if only its economic integrity was left untouched. The Committee had, therefore, to tackle the problem of Reparations, though their terms of reference said not a word about the question. The problem the Committee of its own accord set itself to solve was : What can Germany pay for Reparation without endangering the balance of her Budget and the stability of her currency. It is bound to remain for ever a mystery how the irreconcilable Poincaré was won over to consent to the experts going on with their self-imposed task, and even to give it a favourable hearing. The Committee also eliminated, by the very fact of the procedure they had adopted, the question of consulting the German Government on the matter. It was an *ex parte* expert enquiry, assisted materially off the

stage by all the best elements in the countries mainly concerned. The experts of the Dawes Committee assumed it as an uncontested axiom for their investigation, that Germany could make reparation, only if she was allowed to regain her economic integrity and political independence. This was in flat contradiction to the French idea of exacting "*productive guarantees*"; and the Committee was compelled to decide by a majority vote, and in conformity with their basic notions, that the separate administration of the German railroads of the Rhine and Ruhrland by a Franco-Belgium Regie was utterly out of the question, especially if the German railways were to be made, as the Committee intended, to bear the brunt of the Reparation obligation. They eventually decided to make the total German railways a separate private corporation, for facility in administration and collection of the Reparation contribution. Mortgage bonds on the railroads properties and assets, of an aggregate amount of 11 milliard gold marks, were to be raised, carrying interest at 5%, and sinking fund at 1%, making a total yield of 660 million marks per annum on reparation account, and wiping off the entire liability under this head automatically in 36 years. To give the new corporation a thoroughly business turn, the board of directors was made to consist of equal representatives of the Reich and of other creditors, private capital being thus encouraged to participate in the venture. The ordinary capital of this Railroad corporation was to remain entirely with the Reich, private capital coming in through the sale of preference stock, the proceeds being used for capital

expenditure on the railroads. The same policy of inviting foreign participation in German industry as a whole was found impracticable; but, instead, they issued as a general mortgage bonds on German Industry collectively aggregating 5,000 million gold marks, and carrying the same rate of interest and Sinking Fund. German industry, the experts argued, was in a particularly advantageous condition, thanks to the enormous depreciation of the mark, and the consequent cancellation of all internal debts in Germany—both public and private. This by itself gave a considerable advantage to Germany in international competition with rivals burdened by heavy debts in gold. In addition, the Committee found further help from certain assigned Taxes, comprising customs revenue and taxes on Tobacco, alcohol, beer and sugar, together with a special Transport tax, aggregating some 1,540 million gold marks in a full financial year. The expected surplus by these several means was thus :—

| | | <i>In million gold marks.</i> |
|---|---|-----------------------------------|
| 1 | From the Railways contribution | 660 |
| 2 | From the Industries | 300 |
| 3 | From the Transport Tax | 290 |
| 4 | From the Customs and other Consumption taxes | 1,250 |
| | | <hr/> |
| | | 2,500 |
| | | <hr/> |

This gave the maximum figure of German capacity to make reparation, in the then existing economic position. Should, however, the prosperity of Germany grow in consequence of these arrangements, the Committee felt it but fair that her creditors should be allowed to share in that prosperity. How was that prosperity to be measured—was the next question. After deep consideration, the experts evolved an **index of prosperity**, compounded from statistics relating to Germany's foreign trade, Budget receipts and expenditure, tonnage of freight carried, money value of the consumption of certain specified articles like sugar, per capita consumption of coal, and the total population of the country. Taking the base years for population, budget receipts and expenditure, and coal consumption to be 1927 to 1929; and for the remainder 1912, 1913 and 1926-27—1926-29, they begin with the sixth year of the operation of their plan, and ordain that the annuities payable out of the Budget are to be increased in proportion as the six index figures for any given year show an increase over the base figures for the same. The normal annuity of $2\frac{1}{2}$ milliards may be varied if the purchasing power of gold alters by 10% at least as compared to 1928.

The experts made a most substantial step forward in laying down categorically that the annuities they had prescribed were to comprise *all* amounts for which Germany was liable to the Allies and their Associates in respect of war damage; and that, beyond and outside these annuities, normally fixed at $2\frac{1}{2}$ milliard gold marks, no other

liability shall be urged against Germany arising out of the Treaty of Versailles or the World-War. All the secondary claims of the armies of occupation, mixed tribunal decisions, and debts of private citizens, were thus cut off at a stroke.

But while the plan benefited Germany in this respect, it sadly disappointed her in regard to her repeated demands for a breathing time by suspension of all demands against her for a space of five years. They gave, indeed, a breathing time to the Reich budget for 2 years ; and a graduated payment on Reparation account from the third and the fourth year, the normal reparation payment of 1,250 million gold marks beginning only with the fifth year of the plan. The Railways pay interest on their bonds at 3% in the first year, 4% in the second , 5% in the third, and begin providing for amortisation from the fourth. The industries were exempt for the first year, and paid only 2½% in the 2nd. From the 3rd year of the plan, they pay full interest and provide for amortisation from the fourth. The transport tax is left wholly to the German Government for the first year ; in the second year it is payable to the Reparation account upto 250 million gold marks, and from the third year the full quota of 290 million marks, any excess from that source being left to the Reich. Several minor changes were made in practice when the plan came into effect ; and the hiatus in the transition period caused by this graduated payment was made up by a foreign loan of 800 million gold marks, issued at considerable discount on onerous terms, and ranking in priority over all future Re-

paration payments. The loan, however, was as much to facilitate the solution of the Reparation tangle as to reinforce the German economy.

As finally adopted, the programme of payments was :—

1st year:

| | | | | |
|-----------------|----|----|----|-------|
| Railways | .. | .. | .. | 200 |
| Reparation loan | .. | .. | .. | 800 |
| Total | .. | .. | .. | 1,000 |

2nd year:

| | | | | |
|-------------------------|----|----|----|-------|
| Railways | .. | .. | .. | 595 |
| Transport Tax | .. | .. | .. | 250 |
| Industries | .. | .. | .. | 125 |
| Sale of Ry. Pref. Stock | | | .. | 250 |
| Total | | | .. | 1,220 |

3rd year:

| | | | | |
|----------------|----|----|-------|-------|
| Railways | .. | .. | .. | 550 |
| Transport Tax | .. | .. | .. | 240 |
| Industries | .. | .. | .. | 250 |
| Budget Surplus | .. | .. | .. | 110 |
| | | | Total | 1,200 |

4th year:

| | | | |
|----------------|----|-------|-------|
| Railways | .. | .. | 660 |
| Transport Tax | .. | .. | 290 |
| Industries | .. | .. | 300 |
| Budget Surplus | .. | .. | 500 |
| | | | <hr/> |
| Total | .. | 1,750 | <hr/> |

5th year:

| | | | |
|----------------|----|-------|-------|
| Railways | .. | .. | 660 |
| Transport Tax | .. | .. | 290 |
| Industries | .. | .. | 300 |
| Budget Surplus | .. | .. | 1,250 |
| | | | <hr/> |
| Total | .. | 2,500 | <hr/> |

Without going into needless detail of the plan and its history, we may state that it was eventually adopted by specific agreement in August 1924, and came forthwith into effect from 1st September 1924. The necessary legislation &c. was passed by Germany without delay. For the four years now completed Germany has regularly discharged her obligations in perfect consonance with the programme. She was greatly aided, indeed, by the system of transfer under the plan, which was rational as it was expeditious. All payments on account of Reparations were to be made in gold marks, or their equivalent in German currency, into the Bank of Issue to the credit of the Agent-General for Reparation Payments. Once that payment is made, the German Government is free from any responsibility—it being the

task of the agent for reparations, in conjunction with the Transfer Committee, to make the distribution between the several allies in kind or cash they require. It is necessary to add that the Dawes plan does not do away with deliveries in kind, but confines them to the exports of Germany, and restricts the receiving countries to using the same up for *their own requirements only*—and not for re-export. Fair value must be given for these deliveries in kind ; and the Reports of the Agent-General show no friction in this regard, such as was only too frequent in the years before the scheme came into effect. It does not say anything regarding the total number of years during which Germany must keep on making Reparations in this manner. The Committee did not feel themselves called upon to fix a new reparation debt of Germany. But the main principle—the governing ideal—of the plan is well stated in the concluding paragraphs of the Report itself, which may well be quoted without any apology :

“ The plan is an indivisible whole. It is not possible to achieve any success by selecting certain recommendations for adoption and rejecting the others ; nor must there be undue delay in giving execution to the plan. It can work only when Germany’s economic sovereignty is restored. Its operation will be proportionately postponed if there is a delay in effecting that restoration.

The reconstruction of Germany is not an end in itself. It is only part of the

larger problem of the reconstruction of Europe.

While the plan does not, as it could not properly, attempt a solution of the whole reparation problem, it fore-shadows a settlement extending in its application for a sufficient time to restore confidence, and at the same time it is so framed as to facilitate a final and comprehensive agreement as to all the problems of reparation and connected questions as soon as circumstances make this possible." (Quoted from Bergmann, op. cit. p. 254).

The present stage of the Reparations question is, it may be interesting to add, opening up wholly new vistas that may give it an utterly unexpected turn for all we know in the near future. Germany has so far discharged her obligations punctually. As will be shown more fully hereafter, she has recovered her budgetary as well as general economic equilibrium so far as to give every promise of a prompt and regular discharge on her part of all reasonable obligations. She is anxious, of course, and quite naturally, to have the full sum of her obligations settled. And whenever the problem is taken in hand, she will as naturally seek a moderation of the burden sought to be forced upon her at Versailles in the heat of war-passions. In the years that have followed, and with the proofs Germany has afforded in a veritable change of her national ideals, public opinion in Europe, and even in France, has

gradually swerved round in her favour. She has signed the Locarno treaties, and has been at long last admitted an equal member of the League of Nations. In these conditions, the prospects are fair for a moderation of the demands placed on her in the name of reparation. For their own sakes; too, the receiving countries must reconsider their own outlook on this problem. The full Dawes Plan annuity—and any increase in it—must needs be paid increasingly in a growing export of German goods ; for Germany cannot go on indefinitely attracting foreign capital—or reattracting her own—as she seems to have done in the past four years to some extent. Is this stimulus to German exports good for the receiving countries? Or, to put it differently, is the principal creditor—France—not being satisfied in a manner which is itself a menace to the rest? According to a recent newspaper article I have received from the German Consulate in Bombay, between September 1, 1924, and February 29, 1928, the aggregate payments made under the plan amounted to 4498 million marks. Of these 2092 million marks represent payments in the form of goods—the rest being charges paid on account of the armies of occupation &c. Of the 2092 million marks of goods payments, France received 1419.5 million marks worth, or over 70%. France cannot absorb all that without serious harm to her own industry. She cannot, under the London Agreement of 1924, export to other countries any part of these receipts. She has, therefore, hit upon the device of utilising these receipts for her own public utilities services, leaving her own industries to tackle the foreign market for

French wares. But would this plan not react unfavourably on the other creditors of Germany? France, it is calculated, will be receiving in a normal year under the Dawes Plan 900 million marks worth of goods. How will she absorb these receipts and assimilate them? How will the continued payments by Germany of such amounts, even if she succeeds in effecting them, react on the economic position of other nations? This is of interest not only to Germany, but to all those principally concerned in the Reparation problem; and it is not too much to hope that the calmer atmosphere that has at last been achieved will go a long way in finding, very soon, a satisfactory solution.

I have said very little about that other Committee of experts, presided over by Mr. McKenna, which was appointed about the same time to consider the question of the flight of German capital abroad—because the Committee itself found that no reliable data on the subject were available to permit any definite conclusions. Its problem, also, has, since the solution of the main issue of Reparations, become relatively unimportant. I shall, therefore, leave it to consider, in the next two lectures, the political and economic developments in Post-War Germany, and point as far as I can their object lesson to those that have the insight to learn such lesson.

While these pages were going through the press, European telegrams in the daily press have mentioned the commencement of *pourparlers* for settling finally the Reparations claim. On the committee of experts about to be appointed Germany will probably figure as equal with France and Britain, Belgium and Italy, Japan and the United States. And the committee, whatever its composition, is sure to reduce the aggregate of the Reparation claim from the impossible figure of £ 6,500 million (gold) to something much more reasonable and well within the capacity of Germany to pay.

POST-WAR GERMANY

An object lesson in National Reconstruction.

LECTURE III.

(15-9-28).

THE POLITICAL FRAME-WORK.

LADIES AND GENTLEMEN,

If any one of the Lectures in this Series makes a real parallel, and contains a positive object-lesson for us in this country, the subject-matter of the present Lecture alone will amply justify and vindicate the title of the Series. I am, of course, not going to point a parallel in each case, or labour a comparison in every instance. Neither time nor a sense of logic will allow me to indulge in such a luxury, even if I should myself be inclined to desire it. I shall leave it to you to find the parallel, and apply the object lesson the best way the light within you directs you to do. For my part, I would only refer you to the introductory remarks made in the very first Lecture of the Series ; and trust you will therein find sufficient basis for this claim on behalf of the recent lecture.

You will, I think, understand the political framework of Modern Germany better, if at the outset a picture is presented to you in outlines of the basic conditions and ideals governing the new Republic. The new Republic of Modern Germany is not precisely à la Plato, or even à la Karl Marx, revised and brought up-to-date by Lenin. The new state still retains the old name : the Reich. And herein lies the seed of its greater strength and surest stability ; for the name alone is enough to link up the creation of the Weimar Fathers with the dreams of the Frankfort nationalists 70 years before. It is the vivid, concrete, living embodiment of the ghosts of *Germany's departed Kaisers of that glorious line*,—starting with Charlemagne,—of elective heads of the one holy Catholic state, co-extensive with Christendom, in theory at least, which was known as the Holy Roman Empire. That Empire existed through the greater part of its history,—in name only. It had its vicissitudes, so great and so varied, that a scoffer of the eighteenth century could even question its title to its very name, making that a subject of ridicule. But, throughout the ages, it held the allegiance of the political mind of Germany, and symbolised the unity of Germany at least, if not of Christendom. So that when the Holy Roman Empire was dead and buried, the German nationalists, panting for the unity of the Fatherland, bent themselves to recreate a new Germany, out of the welter and chaos and internal divisions and dissensions of the early nineteenth century Germany. They wanted to make a living, breathing, political entity out of a mere geographical expression. They were stayed,

and checked, and defeated in their enthusiastic programme ; and when at last the programme seemed nearing fruition under the aegis of Bismarckian Prussia, the accomplished fact wore not the form or vestments of their longed-for ideal. It was only from the ashes of the Germany that Bismarck had hammered out, that the idealists came into their own. The Reich of 1918, fashioned and moulded and dressed anew in power and glory over all the German speaking peoples, comes much nearer the dreams of 1848, than the Reich either of the Catholic emperors miscalled Roman Caesars, or of the German Kaiser, who was powerful and important only because he was a Prussian King as well.

The Reich has thus its greatest link with the past in its name. It is as well that there is this clear link ; for in most other respects—in form as well as purpose—the new commonwealth has little in common with the past. Germany is too cultured, and even conservative, a nation to deny its past altogether by having no link with it. In so far, however, as the promise of a new life, instinct in the new republic, was likely to be impeded in realisation, if the past continued to drag too heavily upon the future, the Weimar makers of modern Germany had no hesitation to break definitely with it. The basic ideals of the new state are unmistakably different from those of its immediate predecessor. The desire to assert and establish definitely and unchallengeably the sovereignty of the people is in marked contrast with the past, when sovereignty was supposed to reside in the Federal

Council the *Bundesrath*—while real power rested with autocratic and hereditary princes—the most considerable of whom became the German Kaiser. The very opening section of the written constitution of New Germany categorically affirms :—

“ The German Federation is a Republic. Supreme power emanates from the people.”

The term in the original is truly, accurately, translated in English, no doubt, by the English expression “emanates.” But not only is the connotation of “Supreme Power” not the same in all respects as Sovereignty; but the term used “emanates from the people” does not preclude the fact of the Sovereignty, properly so called, residing or being embodied in the people. In fact, imperative and unambiguous provisions in other parts of the constitution, both in its declaratory as well as its operative parts, make it evident, beyond the possibility of a doubt, that the legal as well as political sovereignty of the new Republic resides in the German people. We shall have occasion to refer to these provisions in greater detail later on. Here it may be instructive to add that the Preamble to the Constitution itself, instructive in many other respects besides this, runs :—

“ This constitution has been framed by the German people, at one in its tribes, and animated by the desire to renew and to establish its federation on the solid basis of liberty and justice to serve the cause of peace both within and

without, and to promote social progress."

We shall, as already remarked, notice more fully these basic objectives of the new commonwealth. For the moment it is enough to add that the very fact that the Constitution itself has been framed by the peoples and functions on their authority,—not to say that it is likewise amendable by the people,—is conclusive of the fact that the supreme power as well as authority rests with, and is embodied in, as well as derived by all institutions and functionaries whatsoever, from the people.

This is the first and the most important of the great changes in comparison with the ideals and practices of the past. The idea, however, of popular sovereignty is such a commonplace in present-day politics amongst all communities calling themselves advanced and civilized ; it is taken so generally as axiomatic, that some of its indispensable conditions or invariable concomitants are apt to be lost sight of. Yet popular sovereignty cannot be effective, and will not function in practice, if the people *inter se* are not equal. Equality is an obvious corollary of democracy—at least political equality. To go no further back than the Hohenzollern Empire, the three class franchise of the pre-war days made all talk of political equality a mockery in Germany. And yet that has been the motto and watchword of popular sovereignty, ever since the French Revolution of 1789 made of Liberty, Equality, and Fraternity the war-cry of the awakening Demos ? Political equality of all citizens—regardless of sex or class—is yet far from being an

accomplished fact in the native home of that idea in our times ; while social or economic equality has yet to be accepted as an ideal worth striving for in ranks outside those of the convinced socialists all over the world. The constitution of the new Germany makes of it not only the foundation-stone of the new state, but even a primary objective, if we consider the concluding clause about social reform in the preamble to yield that meaning. " All Germans are equal before the Law " says article 109 of the Constitution, and adds : " Men and women have in principle the same political rights and duties." Hardly any other constitution of modern times asserts the equality of all citizens in such categoric assertions ; and none other enforces it in practice quite so fully as the present German Constitution. Hence its title to be regarded as the most democratic constitution in the world. It is not afraid so far to break expressly with the past as to enact in the constitution :— " All regulations discriminating against women officials are to be abolished" (Art. 128).

True, it conjoins the privileges of citizenship along with its obligations " rights *and* duties." But that feature, noteworthy as it is, springs from another governing principle ever present in the new democracy. The Reich must cast off, once and for ever, its ancient slough of a militarist State, —armed to the death even in peace time, a burden to its subjects, a terror to its neighbours, a menace to humanity at large. The constitution of the new federation is made by the entire German people " animated " as the preamble expressly affirms,

" by the desire * * * * to serve the cause of peace both within and without." In the several clauses of that Constitution, this intention of securing universal brotherhood by inculcating and insisting on the ideals of universal love and toleration, by preaching the superiority of moral persuasion over brute force, is eloquent and unmistakable.

" We women and mothers are most anxious for this word to find a place in the constitution. We wish the reconciliation of the peoples to be introduced into the school " said one of the women deputies to the National Assembly at Weimar, referring to the concluding words of one of the most original, the most promising, and, therefore, the most justly celebrated clauses of the constitution. Article 148 will be referred to later in another connection. But it deserves to be quoted in full here, if only to emphasise the radically, fundamentally new outlook and ideals inspiring new Germany. Says that Article :—

" In every school the educational aims must be moral training, public spirit, personal and vocational fitness, and, above all, the cultivation of German National character, and of *the spirit of international reconciliation*.

In public school teaching care is to be taken not to wound the susceptibilities of those holding different opinions.

Politics and civics and technical education are subjects of instruction in the schools.

When leaving school each pupil has handed to him a copy of the constitution.

Popular education, including university extension teaching, is to be furthered by the Federation, the States and the local communities."

I have quoted this article *in extenso*, though all its paragraphs or provisions are not equally relevant to my present theme. I must further apologise for introducing it here in its entirety, as I shall have more to say in this or another Lecture dealing with the educational system and ambitions of Germany. But, despite all this, it is inserted here as proof of the new rôle and mission assumed by the German people with the utmost solemnity and publicity,—a rôle so palpably at war with the dominant ideas of the *ancien régime* in that country! The new ideals are not merely pious expressions of the unattainable. They form the political faith of new Germany, and are enshrined in its new Constitution, which thus becomes a kind of a Bible for the German people. Fitly as a symbol of the utmost sanctity is it enjoined to be delivered to each pupil on the threshold of his or her civic majority. Were there no other index of this changed vision of Germany, this alone would, I repeat, suffice it to stamp it with an indelible seal of sincerity.

To appraise fully the force of the foregoing, you must remember the conditions—the milieu—under which this new framework was designed and

achieved. The new Republic is a child of a Revolution, itself begotten of disillusionment and despair. The revolutionary blaze was, for the moment at least, extinguished ; but its smouldering embers could at any time be fanned into a fierce flame fed by the example of Russia, and spreading under the stimulus of despair born of the complete economic disorganisation of Germany. The hounds of reaction were, on the other hand, held tight at the leash, straining every muscle to join in the rush. But the discipline of generations prevailed ; the moderation, characteristic of the best educated people in the world, took charge of the ship of state, and steered it tactfully, delicately, but withal firmly, clear of the Scylla of reaction or the Charybdis of Revolution. The neighbours across the frontiers, enemies of only a short while ago, filled with memories of German ravages and military excesses on their soil,—did all they could to baffle and obstruct and embarrass the makers of the new Republic. The Constitution was still in the chrysalis stage, when the terms of peace the victors sought to impose, at point of the bayonet if need be, were announced. "*Delenda est Carthago*" breathed the draft treaty in every clause of it. If wholesale dismemberment of Germany was impossible by common consent of all the allied or associated powers against Germany; if the creation of smaller states out of Western Germany, in perpetual vassalage to France, would not be permitted by France's own allies ; they could all agree to the chopping of the Germany of Bismarck so far as to lop off Alsace and Lorraine on the South-West as the just forfeit of a lost war, to remove

parts into Belgium, to re-form other parts into international territory, to restore Holstein to Denmark and parts of East Prussia to new Poland, with a handsome corridor opening direct into the Baltic sea,—all crowned by the surrender of the overseas empire called colonies. I have already referred to these losses in an earlier lecture, and need not dwell too much upon them in this. Their political significance lay not so much in sacrifice of territory and population, with their portion of material wealth and resources, though that was immense ; nor even in a consequent reduction of the weight of Germany in the council of nations. The significance lies, to my mind, in a palpable and wanton humiliation inflicted on Germany in this guise ; in the setting up of a ring of presumably hostile powers girding Germany round on every frontier ; in the prevention of consummating that ideal of the complete unification of the German or Germanised races, which the thinkers as well as the dreamers of Germany for centuries together had been hoping for—and her soldiers and statesmen had been striving for. Germany of the Kaisers had herself been an offender in setting too intensive a programme of Germanisation of the non-German races of the Empire. But she has learnt her lesson ; and her Constitution now specifically provides the fullest freedom to live their own life, to speak their own tongue, to preserve and promote their own culture and ideals, to the non-German peoples still included in the Reich. Article 18 lays down:

“ The organisation of the federation into states shall be such as to promote the

highest economic and cultural efficiency of the people, the wishes of the population concerned being taken into consideration as far as possible."

In spite of this, however, the Treaty renders impossible the absorption of German-speaking Austria into the Fatherland, without the *unanimous* consent of the Council of the League of Nations, which in practice means without the consent of France. And France is never likely to consent to anything, which may conceivably add to the weight and importance of Germany in the roll of nations.

Apart from the loss of territory, the political importance of Germany suffered—at least in the eyes of the old world politicians—an irretrievable blow by the forced and wholesale disarmament of the Reich. For a nation of warriors, as old Germany was, this must have been the bitterest pill to swallow. But they were helpless. The enemy legions were in their midst—armed cap-a-pie, and waiting only the merest shadow of an opportunity to jump at the throat of a disarmed, helpless, enemy. The age of chivalry has verily gone; and that of universal brotherhood has yet to be. Throughout the continuance of the dispute about Reparations, the erst-while enemy was constantly threatening the application of "sanctions" provided for by the Treaty; and once, or twice, even applied them, in his insatiate search after "productive guarantees."

II—THE MAKING OF THE NEW CONSTITUTION GENERAL FEATURES.

Under these conditions, what can a people feel but unmitigated despair? Revolt at home was inevitable in this state of universal discontent, depression and dislocation. But the people in the main held true to their habits of discipline and self-control, their ideal of the unity and integrity of the Fatherland, their ambition to maintain her lead in the world of science and letters. Despite the revolutionary ferment, elections were held for the National Assembly for the making of the nation's political framework, or constitution. The elections, held under a system of direct, universal, secret vote, were startling in their results. The Conservative parties, The German National People's Party, originally made up of the Junkers, and the German People's Party, consisting mainly of big business—got between them 63 out of 421 seats in the Assembly; while the Catholic Centre party got 88, and the Democrats 75. The former were definitely monarchists, the latter leaning towards Republicanism; but they were both of clear *bourgeois* sympathies, and held between them a clear majority of the Assembly ($63+88+75=216$ out of 421). The Socialists were more numerous, no doubt, than any other single party in the Assembly, the Majority Socialist alone securing 163 seats; and the Independents had 21 more. But this was not enough to give them a majority, even with the aid of the ten remaining seats distributed among a number of small parties. Hence the predominantly bourgeois character of the Constitution. Says Article 151:

"The organisation of the economic life must accord with the principles of justice, aim at securing for all conditions of existence worthy of human beings. Within these limits the individual is to be secured the enjoyment of economic freedom."

This is perhaps a unique provision of its kind in that a nation hereby solemnly assumes the responsibility of assuring to all its citizens a decent standard of human existence. And though the article speaks of this obligation in the later sentence in terms suggestive of restriction of individual liberty, it in fact confers a definite right of citizenship, which in the most advanced nations, self-styled so, has yet to be achieved. It is, however, characteristic of the view the Weimar fathers adopted, speaking of rights in strict concordance with duties. Article 163 makes another similar step forward, the bearings of which have, I think, yet to be realised in full by the commentators, and still more so by the peoples of the world.

"Every German" it lays down, "is under a *moral* obligation, without prejudice to his personal liberty, to exercise his mental and physical powers in such a way as the welfare of the community requires.

Every German shall be given a chance to earn a living by economic labour. In so far as no suitable work can be found for him, provision is made for his sup-

port. All details will be regulated by special federal laws."

Do you realise the silent revolution this works in our accepted notions of the basis of society and the obligations of the State? When in my class Lectures I make passing allusions to my ideal of a socialised system, people are apt to smile in indulgence for the foibles of a fogey, if not in derision at the extravagance of a maniac. But here you have the abolition of that class of the idle rich, who lead a wholly parasitical existence; who not only do not do any productive work themselves, but withdraw from productive employment a large proportion of the community's productive energy to minister to the whims or vices of their effete minority. True, it is only a *moral* obligation that the German Constitution speaks of. But, viewed in conjunction with the State's own responsibility, definitely assumed in the same Constitution, to provide work for all suitable to the capacity of each, what self-respecting citizen, unwilling to be classed as a cad, would avoid this universal obligation to work, simply because the Constitution speaks of it as a "moral" duty? There are, I fear, many cads among the habitually idle, because they had the misfortune to be born rich. But that, I suggest, is the result rather of the education and upbringing instilling into them utterly unsocial ideas of idleness being a gentlemanly or ladylike distinction and not a parasitical burden, than of any constitutional defect inherent in their blood.

But though the German constitution is in these and like respects a notable and an immense advance

over the political ideals and conventions of most other peoples, it is yet far from realising the ideal of a socialist state. The Constitution guarantees private property and inheritance no less tersely, no less categorically, than it establishes freedom of trade and industry, or prescribes the obligations mentioned above.

“ Freedom of trade and industry is guaranteed within the limits prescribed by federal laws.” (148).

In economic intercourse freedom of contract is recognised within the limits of the laws (152).

Property is guaranteed by the constitution.

The content and limits of the right of property are defined by the laws. Expropriation is admissible only in the public interest, and so far as authorised by law. It is accompanied by an adequate compensation, unless a federal law otherwise determines. * * *

* * * * * * Property entails responsibilities. It should be put to such uses as to promote at the same time the common good (153).

The right of inheritance is guaranteed within the limits of the civil law. The share which the State takes in the estate of a deceased person is fixed by laws (154). ”

There are other provisions of a like nature, coupling rights with obligations, privileges with responsibilities. But they are clear evidence of the failure of the Socialists to achieve their objective in spite of their number in the Assembly, in spite of a leaning towards the Left in subsequent elections, in spite of more than one ministry having been presided over by a socialist Chancellor. The explanation lies, I believe, in the sense of justice the best educated nation in the world could not divorce itself from; in the faith of the Socialists themselves, that the essential truth and justice of their ideal cannot be long obscured or denied by an enlightened people; and, in part, in a momentary irritation of the German peoples against the excesses of the Communists and Spartakists, which disinclined them entirely towards wholesale revolution in the very foundations of the society. They felt—and not without reason,—that when the people were starving, when industry was dislocated, when the foreigner was on the soil of the Fatherland, the moment was by no means well chosen to attempt revolutionary experiments, on mere imitation, by doctrinaire reformers. And so they compromised between a purely individualist and an entirely socialist state, with decided leanings, however, to the latter.

The Constitution of the Reich, as now in operation, was a compromise in other respects besides the basic ideal of social structure. It was the outcome, in its final form, of two separate and conflicting drafts, prepared:—one, by a Prussian Professor, Preuss, a democrat in politics but a

Prussian in his notions of administrative harmony, convenience, and simplicity ; and the other by the Provisional Government on the advice of a committee of representatives from the constituent states of the Federation . Both agreed, indeed, on the fundamental form and structure of the new Reich as a republican federation ; and the Constitution, as it was eventually adopted, enshrines their agreement in clear declarations impossible to misconceive.

“ The German Federation is a Republic ” says the very first article. “ The federal territory consists of the territories of the German States. Other territories may be incorporated in the Federation by federal law, if their populations desire it in the exercise of the right of self-determination. (2). [This envisages a union with Austria.]

Every state must have a republican constitution. The representatives of the people must be elected by the universal, equal, direct, and secret suffrage of all German subjects, men and women, in accordance with the principle of proportional representation. Each state Government requires the confidence of the state parliament.” (17).

These were features acceptable to all reformers, and, therefore, willingly embodied in unambiguous terms in the constitution. But Preuss, the author of the first draft, was excessively inclined to cen-

tralisation and the creation of a virtually unitary state, with all effective power vested in the federal or central Government. The committee of the States' representatives was, on the other hand, naturally and inevitably in favour of retaining the autonomy of the constituent states as much as possible, as far as consistent with the maintenance of the national government. The States are in Germany,—as in the other great federations of our day in Europe, America, or elsewhere—older in history than the Federation. And, as in Switzerland or the United States, the closer federation in the Germany of our times has been evolved out of the looser confederation of equal and autonomous states that preceded it immediately. The exigencies of modern political and economic life demand, no doubt, a strength, prestige, authority, and resources in the central national government, which are often inconsistent with the maintenance unimpaired of the States' autonomy in all respects. But, subject to the demands of national integrity, security and efficiency, the attempt to deny or subvert the traditional rights of autonomy—or even the basic principle of self-determinism,—must ricochet inevitably, under conditions like those of Germany in 1919, on the authors of such attempts themselves. The framers of the Weimar constitution, therefore, effected another compromise between the excessive centralisation of Preuss, and the equally impossible demands of the particularists. The Federation is assigned *exclusive* powers in all questions relating to foreign and colonial affairs; organisation, maintenance and discipline of the Defence Force; communications by and control

of posts, telegraphs and telephones ; coinage and customs, as well as internal free-trade ; nationality, settlement, immigration, emigration and extradition. But still Bavaria is allowed its own special diplomatic representative at the Vatican. In other subjects,—like the civil and criminal law and legal procedure ; passports, police, poor-relief and supervision of travellers ; the press, including public meetings ; population, maternity and infant welfare; public health and labour laws, including social insurance and labour bureaux ; expropriation and socialisation, as well as provision for war veterans ; trade, weights and measures, money and banking including exchanges ; traffic in food stuffs and articles of daily consumption ; industry, mining and insurance ; high-sea navigation and fishing ; railways, inland waterways, and aerial transport and traffic, and the construction of public highways to serve public traffic and home defence ; theatres and cinemas,—the Federation has concurrent jurisdiction to legislate. In all common subjects, however, the basic principle is laid down in article 13 :—

“ Federal law overrides (lit. breaks) State Law. If there is a doubt or a difference of opinion as to whether a provision of a state law is consistent with federal law, the competent supreme authorities of the federation or of the state may appeal for a decision to a supreme federal court, in accordance with the more detailed provisions of a federal law.”

No room is left for doubt, however, as to the eventual supremacy of the federation in legislation as in every other department of national activity. The Federation now claims all direct taxation which was formerly the jealous monopoly of the constituent states,—even as it still is maintained to be the rule in Switzerland. The only price the federation pays for this accession of strength is the condition in article 8 of the constitution that :

“ When claiming taxes or other sources of revenue which hitherto belonged to the states, the federation must have due regard to preserve the vitality of the States.”

What a contrast from the spacious state days of the North German Confederation, or even of the Bismarckian Reich! The Federation does, in practice, make a partial refund of the direct taxes it levies to the States, as I shall show more fully in a later Lecture. But that does not preclude the radical contrast with the analogies of the past, when it was the Reich who received contributions from the States, while now it is wholly different. The Federation, moreover, may legislate on all matters of public welfare, and the maintenance of public order and security, in so far as they need uniform regulation (9); and federal laws may also lay down the general principles which should guide state legislation concerning the rights and duties of religious bodies, public education, status of officials in public corporations, land laws, and the disposal of the dead (10). The same rule also governs the assessment of taxes by the states, so as to prevent

loss of revenue to the Federation, or the occurrence of double taxation, grant of subsidies and bounties, or internal discrimination.

Altogether, then, the Federation reigns supreme, in so far as positive enactment can make it. But the anterior existence of the States, and their accepted claim to be residuary legatees in all the undistributed political powers of the nation, are beyond question. Article 12 says :—

“ So long and in so far as the Federation has not exercised its legislative powers, the states continue free to legislate. This does not, however, hold good of subjects as to which the Federation has sole power to legislate.

The Federation has the right to protest against state laws dealing with any of the subjects of article 7 no. 13, in so far as the welfare of the community at large is affected thereby.”

This, in effect, says, that except as to subjects expressly and exclusively assigned to the Federal authority, the State governments have equal powers, subject to the general condition that in any event of a conflict between a state law and a federal law, the latter must prevail. Even the reservation expressly made in the foregoing section relates to matters of general public interest as affected by schemes of socialisation ; and is even then confined to a mere protest. The States are autonomous in all their own concerns including the framing of their own constitutions, which, however, must be

republican, and the government in each state must be supported by the representatives of the people elected by universal, equal, direct and secret suffrage of all citizens in that territory. No other general principle is laid down for the constitutions of the States, or the länder as they are now called ; and they have in consequence dispensed with both a state President and a second chamber. Individual states, like Bavaria, have, no doubt, resented these encroachments of the Republican Reich on the original state authority ; especially when these encroachments assumed the form of making over the railways, posts and telegraphs to the Reich. But they were powerless before the spirit of the times and the logic of facts. And so the republican, federal constitution of Germany has stood the strain of local and foreign stress in all directions, amid all difficulties, so well for nine years that the hopes of its lasting nature will not be regarded as groundless.

III.—FUNDAMENTAL RIGHTS OF CITIZENSHIP IN GERMANY.

The hope here expressed is securely founded in the basic rights of citizenship secured by the Constitution. In every section the spirit of liberalism breathes pure and undefiled, with its twin stars or watchwords of Liberty and Equality. If the makers of the Constitution had to compromise in respect of State rights *vs.* Federal authority ; or in regard to revolutionary communism against unmitigated individualism, there is no evidence of doubt, distrust or hesitancy when the Fathers lay down the primary rights of German citizenship ;—

"All Germans" says Article 109, "are equal before the law.

Men and women have in principle the same political rights and duties.

Privileges and disadvantages of birth or rank within the sphere of public law are to be abolished. Titles of nobility are considered to form part of the name only ; they may no longer be conferred. Titles may be conferred only when descriptive of an office or calling ; academic degrees are not hereby affected. Orders and decorations may not be conferred by the State. No German may accept a title or an order from a foreign Government."

The unfair advantage of birth is for ever abolished ; and the search for ornamental distinction over one's fellows is rendered altogether needless. Germany stands out in this as even more democratic than republican France. For though France has abolished her ancient *noblesse* of birth, she still retains a whole host of honorific distinctions like those of the *Legion d'Honneur*, whose only purpose in practice seems to be to perpetuate a most vicious system of all-round demoralisation. In monarchical countries—however liberal they may be in practice,—these titles and distinctions wreak the most indescribable damage on the spirit of the public. Germany, however, has abolished all her ancient badges of serfdom and collars of slavery, which some people with a rooted slave mentality are constantly hankering after and incurably dying for.

German citizenship has rights as well as duties. But among these rights there is hardly any other so precious, so welcome, so serviceable as this right of civic equality. Only after ordaining such a perfect equality, unassailable by any advantage of birth or caste, can we hope to assure ourselves that with us, only merit shall rule and mediocrity not govern.

Of the other fundamental rights of citizenship in Germany, we need hardly emphasise, at this time of the day, the freedom of the press and of association ; of movement and of settlement in any part of the country, subject only to federal legislation.

“ Personal freedom is inviolable. No restraint or deprivation of personal liberty by the public power is admissible, unless authorised by law.” (114).

At a stroke this establishes the liberty of the individual, and the rule of law, which jurists all over the world are agreed is the keystone of the arch of political liberties in Britain. Germany has of course, no *Habeas Corpus Act* : but the clause above quoted categorically requires that persons in custody should be informed within 24 hours of the charges against them, and the authorities at whose instance they have been deprived of their personal liberty ; and as they are at the same time permitted to raise objections against this deprivation, all the purposes of the English *Habeas Corpus Act* are served.

"The Residence of every German is a sanctuary for him, and inviolable. Exceptions are admitted in virtue of the laws only." (15).

This is another approximation to the traditional English boast, so imposing to the continental mind, that every Englishman's home is his castle. Precious little now remains of the Englishman's home; and what remains is far from suggesting an impregnable fortress, thanks to the growing batteries of a rapidly socialising state being trained upon it. But, such as it is, the fiction of its inviolability has imposed upon Continental jurists for over two centuries; and the German constitution-makers seem in this to be enunciating rather a hackneyed platitude, doubtful at best, than making a solid contribution to the political philosophy of the world. The guarantee of inviolability of correspondence and communications by post, telegraph or telephone is more original¹¹⁷, and substantial, and even the freedom of speech, writing, printing; or pictorial representation is more abundantly assured. It is curious to note that while "There is no censorship," the constitution makes a strange reservation regarding cinematographs, to be explained only, if at all, by the words which follow and relate to measures "combating base and pornographic publications, and for the protection of the young, in public shows and representations" (118).

The section of the Constitution relating to marriage and motherhood is a distinct advance, though its language is reminiscent of an ideal or

conception of the marriage tie at war with the prevailing beliefs of a large majority of the present generation. I shall have more to say on this aspect of the spirit of the age in my last Lecture. Here let us study this queer medley of the old and the new :

“ Marriage, as being the basis of family life and the fundamental condition for the preservation and the increase of the nation, is under the special protection of the Constitution. It rests upon the equality of rights of the two sexes.

The preservation of the purity and health and the social furtherance of the family is the task both of the state and of the local communities. Large families have a claim to compensatory advantages.

Motherhood has a claim upon the protection and care of the State” (119).

The last clause must be startling in its bare simplicity to those feasting themselves on the preceding tribute paid to the sanctity of family life. For there is nothing said in the clause to restrict the protection and care of the state to married mothers only. Children born out of wedlock are expressly guaranteed by the Constitution the same opportunities for their mental, physical and social development, as legitimate children (121). Why, then, should the unmarried mother be excluded from the protection of the

State? Of course, she is not; and to that extent the ideal adumbrated in Article 119 may be held to be inoperative, if not abrogated.

"The young are to be protected against exploitation as well as against moral, intellectual or physical neglect" (122). But this pious resolve seems to lack considerably in effectiveness; when we remember the exceptions likely to creep into the substantive legislation, federal or state; and far more so when we recall the energetic and unremitting resolve of the Bolsheviks in Russia to concentrate their efforts on winning the young mind.

The obligations of citizens towards the state occupy relatively a much smaller proportion of the Constitution. Besides being bound to render personal service in accordance with law to the state or the locality, (133) or to accept honorary public office (132), the only specific obligation of citizenship is contained in 134.

"All citizens without distinction have to contribute to all public burdens in proportion to their means in accordance with the provisions of the laws."

The obligation, hereby imposed, is indeed no light one, as I shall endeavour to show in a later Lecture. But to the German citizen of the post-war era, the liberties and privileges accorded and guaranteed by the new Constitution made such ample amends, that the obligation has never appeared in the light of an insufferable burden.

"All inhabitants of the Federation enjoy full liberty

of faith and of conscience " says Article 135 ; and no rights or privileges are made conditional upon the observance of any particular creed (136). The State Church is categorically disestablished (137). The disestablished Protestant Church of northern Germany becomes a corporation, like any other, autonomous in all its internal concerns, and entitled to levy contributions on its members, which, if anything, must add to the strength of the organisation. And all citizens without distinction are made eligible to public offices according to the laws and their own qualifications (128). It is interesting to record :—

" Officials are appointed for life unless otherwise provided by law" (129).

" Officials are servants of the community and not of a party. Freedom of political opinion and freedom of combination is guaranteed to all officials. Officials are to be given special representation ; the necessary details will be regulated by federal law" (130).

To a land ridden with parties ; to a people freshly experimenting with the principle of responsible government explicitly based on party support, the enunciation of these great truths of efficient administration in conjunction with good popular government must have brought a most welcome relief. Collateral with the public church is the public school, which also comes to be specially regulated by the Constitution. We have already referred to the new ideals of Education accepted

by the Reich as shown by article 148 of its Constitution. Here we need only add that school attendance in common elementary schools is compulsory universally. All classes of children sit together ; and the lesson of the absolute equality of all citizens is thus objectively inculcated from the earliest years.

VI.—THE MECHANISM OF THE CONSTITUTION.

Coming next to the working mechanism of the constitution, we find the same guiding principles of popular sovereignty and responsible government animating the makers of new Germany. Division of Powers, as an insurance against a possible abuse of authority, by a needlessly towering personality of a functionary, or the unduly overwhelming importance of an authority, is writ large on the Constitution, not only in regard to the demarcation of jurisdiction between the state and the central governments, but also in regard to the several organs of the central government as well. The Legislature, the Executive, and the Judiciary :—each is made conscious of the supreme and final authority of the people ; and they are all required to function each in its own allotted sphere, but in due correlation with its other concomitant and coeval authorities. Let us study these a little more fully.

THE REICHSTAG.

The legislative authority of the Reich is concentrated in the Reichstag, to which is also entrusted the duty of holding the executive government.

responsible. This German national parliament "is composed of the representatives of the German people" (20). Thanks to the device of Proportional Representation, the deputies are made representative, not of any particular district, but of the whole country collectively. Elected by the universal, equal, direct, and secret suffrage of all Germans—men and women over 20 years of age,—they are entitled to feel themselves to be more truly representative of their fellows than their prototypes in most other countries. As election day is a Sunday or a public holiday by law; and as the proportion of the politically minded citizens is very large in Germany, over $\frac{3}{4}$ of the vast total electorate of some 35 million souls goes to the polls, and records its vote, lending thereby an authority to their representatives which they sadly lack in other countries.

The Reichstag is elected for four years; and, thanks to the principle of Proportional Representation, there are no bye-elections in Germany to test the changing public opinion from time to time. The President of the Federation can, however, dissolve it, "but only once for any one cause" (25). This is, however, hardly a substantial restriction on the President's power, since, if he is so minded, he can always find new pretexts to justify his dissolution within the provisions of the Constitution. All his acts, however, have to be countersigned by a Federal Minister, usually the Chancellor, who then *ipso facto* assumes the responsibility for such Presidential decrees. And so in practice it is highly unlikely that the President would order a dissolution for a trifling reason.

The Reichstag, unlike the English Parliament, is convened by its own President, who is elected by the body itself, and has all domestic authority and police powers concerning the Reichstag, its premises, members, and officials. The sittings of the Reichstag are ordinarily public, with absolute freedom of speech to members ; and accurate reports of the proceedings are absolutely privileged. (29 & 30). The Reichstag may call upon the Chancellor, Ministers, or Commissioners to attend any of its sittings—if these or any of them are not ordinary members of the body ; while they are allowed access to all meetings of the Reichstag, or its committees. States are entitled to depute their plenipotentiaries to explain their point of view to the parliament. The detailed business of the House is transacted through several Standing Committees, of which those on Foreign affairs and the Privileges of the Representatives are the most considerable. These privileges include, besides freedom of speech and the immunity from criminal proceedings, the right to travel free of charge on all German railways, and to receive an indemnity or compensation for every day of attendance at the Reichstag sittings. If any member absents himself, he loses his claim to this compensation.

The Reichstag is the legislative authority for the Federation, functioning of its own initiative, or on bills introduced by the Federal Government. The Reichsrat has no concurrent legislative power, but its consent is necessary before introduction of all Government measures, while any bill accepted

by it must be introduced by Government, even though the latter dissent and publicly dissociate themselves from it.

Unless a third of the members ask for a suspension of a law already passed, or unless the President of the Republic desires ratification of any law by a specific popular vote on the same, every law duly enacted must be authenticated by the President of the Federation, and forthwith published and promulgated. Any law can be similarly referred to the people if one-tenth of the voters by petition so desire, except the Budget law which can be referred only by the President if he so decides. Laws against which the Reichsrat or the Federal Council has protested, and where there is no chance of agreement between it and the Reichstag, may be referred to a popular vote by the President. If he refrains, the law will not come into force, unless it has been passed by the Reichstag by a $\frac{2}{3}$ majority. The Constitution itself can be amended by ordinary legislation, if at least $\frac{2}{3}$ of the total membership are present and the decision is by a majority of at least $\frac{2}{3}$ of those present.

The Reichstag elected in May last consists of :—

| | Seats. | Votes (in million). |
|--------------------------|--------|---------------------------|
| Social Democrats .. | .. | 152 9.1 |
| German National Party .. | .. | 73 4.4 |
| Centre .. | .. | 62 3.7 |
| Communists .. | .. | 54 3.3 |
| Peoples' Party .. | .. | 45 2.7 |

| | | | | |
|---------------------------|----|----|----|-----|
| Democrats .. | .. | .. | 25 | 1.5 |
| Economic Party .. | .. | .. | 23 | 1.4 |
| Bavarian Peoples Party .. | .. | .. | 16 | 0.9 |
| National Socialist .. | .. | .. | 12 | 0.8 |
| All others .. | .. | .. | 28 | 2.1 |

It may be added that the present Reichstag contains 33 women representatives.

THE PRESIDENT OF THE REPUBLIC.

Against this towering authority—the Reichstag—stands the equally powerful personality of the President of the Republic. The makers of the Weimar Constitution searched high and low for a model of this unique personage, who had to combine in his office the dignity of a hereditary monarch, the authority of a popular chief, and the powers of an effective check upon any other single body in the State. The models they eventually adopted—each in part of course—were the Presidents of the American and of the French Republic. The former is a direct choice of the people elected for 4 years, and has to work as the supreme executive, without, however, any direct, continued link with the Legislature. “The President of the Federation is elected by the whole German people. Every German who has completed his thirty-fifth year is eligible.” (41). He is even more a direct choice of the entire people than the American prototype, inasmuch as there is no intervening electoral college between the people and their choice, as in America. The candidate for the Presidency need not even be resident in Germany, it seems; for

many distinguished Germans by birth have been cut off from the Fatherland by recent changes. And why should not the country have the benefit of such service. Like the French President, on the other hand, the German President is elected for 7 years, and there is no bar on his re-election.— But while it has been said of the French President that “ Il a assez de pouvoirs ; c'est le pouvoir qui lui manque,” the German President is not entirely a mere figure-head. On entering upon his office he takes an oath for the maintenance of the Constitution in a prescribed form before the Reichstag (42), to which the first President added the just boast : (Daniels : *The Rise of the German Republic*).

“ But I also declare that I am a son of the working classes, grown up in the world of ideas according to socialism, and that I have no intention of denying either my origin or my convictions.”

This Constitution deals generally with the President, entrusting him with powers which are all but regal, on the sole condition that for all his public and official acts his ministers must assume responsibility. He receives a salary of 60,000 marks per annum, and in addition a sumptuary allowance of double that amount, thus placing him in a position of dignity commensurate with the headship of the republic.

According to a note in the Statesman's Year Book for 1923 the salary was fixed at 1,200,000 marks with an equal sumptuary allowance. In the next year's issue, however, the note occurs in the following form :—“The President receives by way of salary and allowances, twice as much as the Chancellor.” With the restoration of the mark to its gold basis, the amount first fixed has been reduced as above.

He cannot, while a President, be a member of the Reichstag ; but he represents the Federation in international relations, sends and receives ambassadors, concludes alliances as well as treaties with foreign powers, subject to the condition that:—

“ Declaration of war and conclusion of peace are effected by federal law. Alliances and such treaties with foreign states as refer to matters of federal legislation require the consent of the Reichstag.” (45)

Here lies the grave of all secret diplomacy, of all selfish commitments of the peoples of the world to unjust, and impossible obligations in the guise of Treaties or alliances. Given the condition of the Reichstag’s consent—and with the consequent publicity which this implies—there can be no room for secret commitments. The President is the supreme commander of the federal Defence Force (47), and appoints and dismisses all federal officials and defence force officers. He can pardon criminals on behalf of the Federation ; but any general amnesty must require a federal law (49). But he himself may be removed from office, upon a motion of the Reichstag, by a vote of the people, provided that the Reichstag vote has been carried in that body by a $\frac{2}{3}$ majority. The moment such a resolution is passed, the President is suspended from office. But if the people refuse to sanction his removal, he is automatically re-elected, while the Reichstag is taken to be dissolved. The Reichstag can even impeach the President, the Chancellor, or any federal minister, for a culpable violation of the constitution or any federal law before the State Court.

"All orders and decrees of the President, including those of the Reichswehr, in order to be valid, must be countersigned by the Federal Chancellor, or by the competent Federal Minister. Such counter-signature implies assumption of responsibility." (50).

The President is thus a mighty eagle symbolic of the old Reich, even as the flag is reminiscent of the old triumphs, at least in the merchant marine. But the eagle cannot soar, for his wings are clipped closely by such provisions. Summing up his position and powers, Mr. Gooch says (*Germany : in the Modern World Series*) :—

"The President is a symbol of unity and continuity, a master of the ceremonies, a wheel in the constitutional machine. If he possesses tact and inspires confidence he may play a useful part in turning awkward corners, in composing quarrels, in solving ministerial crises, in building up the prestige of the Republic, in regaining for his countrymen the goodwill of the world, in fortifying the hearts of his countrymen in times of adversity. But politically he is cipher."

The last judgment is liable to misconstruction, if it is intended to convey the real influence of the President. Of outward constitutional powers he has many. Article 48 gives wider powers to the President than the Kaiser ever had. But they are

by the same Constitution closely restricted. The inner, invisible influence of the President must needs depend on the character and personality of the man who is for the time being the President. So far there have been two Presidents,—the worker Ebert, and the soldier Hindenburg. The former was never directly elected by the people, but only by their representatives in the National Assembly. And yet he proved a worthy successor of Washington in America and Thiers in France, on which the new Constitution is modelled. Marshall Hindenburg was the nation's idol in the war, its prop and pillar in the peace that followed. He had not suffered an iota in reputation, as his chief of the Staff Ludendorff had done. And so he was elected by an overwhelming majority of his countrymen as the fittest of their fellows to discharge the difficult and delicate duties of the Presidency. It is an irony of fate that the best and the greatest supporters of the New Republic have not been republicans by conviction but monarchists. And yet in this strange irony of fate, the student may detect a handsome promise for the future. The magic touch of such exalted office lends by itself that sense of responsibility, that passion of loyalty to the Republic, that makes for the surest foundation of the commonwealth.

THE REICH GOVERNMENT.

While the British Prime Minister and Cabinet nowhere find a place in the constitutional laws of that country, the Federal Chancellor and Ministers have a very definite place assigned to them in and by the Constitution. They may or may not be

members of the national Parliament, though, in practice, thanks to the system of Proportional Representation, hardly any leader of eminence is likely to be left out at the general elections. But the constitution says quite categorically :

“ The Federal Government consists of the Federal Chancellor and the Federal Ministers ” (25).

The appointment and dismissal of this Government is nominally in the hands of the Reich's President (53). But the Government or Cabinet, as they would say in English, must possess the confidence of the national Parliament for the exercise of their office. Without that confidence they must resign. As no single party has yet succeeded in obtaining a decisive majority in the Reichstag, the federal Governments have been, ever since the foundation of the Reich, coalitions, with one or the other tint predominating for a while. The average life of the Governments formed since November 1918 is, relatively, perhaps, more steady than in France, in the earlier years of the Third Republic, as may be seen from the following :

| Government by Chancellor. | Took Office. | Resigned. | Duration about. |
|------------------------------|---------------|------------|--------------------|
| Scheidemann | .. 13—2—1919 | 20—6—1919 | 4 Months |
| Bauer | .. 21—6—1919 | 26—3—1920 | 9 " |
| Müller (I) | .. 27—3—1920 | 25—6—1920 | 3 " |
| Fehrenbach | .. 25—6—1920 | 10—5—1921 | 11 " |
| Dr. Wirth (Govt. I) | .. 10—5—1921 | 26—10—1921 | 5 " |
| ,, (Govt. II) | .. 26—10—1921 | 22—11—1922 | 13] |

Cuno & Strese-

| | | | | | |
|--------|------|-------|---------------|------------|----------|
| | mann | (I) | .. 13—8—1923 | 6—10—1923 | 2 Months |
| | | (II) | .. 6—10—1923 | 30—11—1923 | 2 |
| Marx | I | | .. 30—11—1923 | 3—6—1924 | 6 |
| " | II | | .. 30—6—1924 | 15—1—1925 | 7 |
| Marx | III | | .. 16—5—1926 | 29—1—1927 | 8½ |
| " | IV | | .. 29—1—1927 | 28—6—1928 | 17 |
| Luther | I | | .. 15—1—1925 | 20—1—1926 | 12 |
| Luther | II | | .. 20—1—1926 | 16—5—1926 | 4 |
| Müller | II | | .. 28—6—1928 | | " |

[N.B.—These have been obtained from the *Heimat Dienst* of June, 1928].

But the arrangement must also be held responsible for the absence of any towering personality in the Chancellors that have followed in succession. They are temporary chiefs—*prima inter pares*—whose colleagues are not infrequently superior in personal abilities if not in public esteem as well. The Chancellor presides over the Reich Government, which functions according to the Standing Orders drawn up by the Government themselves, and approved of by the President of the Republic (54). Subject to the condition that the Chancellor settles the political programme of his government, which is binding on all his colleagues in the ministry, each federal minister is in independent charge of the department entrusted to him, and for which he is solely responsible to the Reichstag. The principle of ministerial responsibility is strikingly evident in the German constitution ; but that of collective cabinet responsibility is not yet realised ; and it may be doubted if they even consider it desirable.

THE REICHSRAT—OR THE FEDERAL COUNCIL.

The old *Bundesrat* of the Hohenzollern Empire has been continued, in a manner of speaking, in the new Federal Council. It is also—if a somewhat loose use of the term be permitted—the only Second Chamber in the German Federation. It is formed to represent “the German states in federal legislation and administration” (60). And yet it has no coequal or concurrent powers in legislation with the Reichstag. The last named alone passes laws for the Federation. Each state must have at least one vote in this body, and no single state can have more than two-fifths of the total number of votes. The governing principle seems to be to give each of the larger States one vote for each 700,000 of its inhabitants, any surplus over half that number being reckoned as such a unit (61). The overwhelming might of Prussia is thus curtailed, in the whole body, while in its committees no state has more than one vote. The members being representatives not of the people but of the constituent states, they are members of their respective Governments. Hence there are as many representatives from each state as there are votes ; but half the Prussian votes are reckoned as those of Prussian provincial units. It is presided over by a member of the Federal Government, and federal ministers are entitled to, as well as bound—if requested—to, take part in [its] deliberations. Every bill submitted to the Reichstag by the Federal Government must first obtain the consent of the Reichsrat. If it does not consent, Government is still entitled to introduce the Bill, but must explain to the Reich-

stag the Reichsrat's point of view in dissent. On the other hand, if the Reichsrat adopts a bill to which the federal government can't agree, the latter is still bound to introduce the Bill ; but may at the same time explain its own reasons for dissent. The Reichsrat is further entitled to protest against the laws passed by the Reichstag (74) within 2 weeks after the final vote. The Reichstag can pass a bill into law, despite the Reichsrat's protest, provided it had at least a majority of $\frac{3}{4}$ in the Parliament ; and then the President is bound either to promulgate the law within 3 months, or submit it to popular vote. In ordinary cases of the Reichsrat's protest, the disputed measure is referred back to the Reichstag for reconsideration ; and if still there is no agreement, the President may refer the measure to popular vote ; or allow it to drop. Bills amending the Constitution must in any case be referred to the people, if the Reichsrat so demand.

On the whole, then, the summary judgment of Dr. Oppenheimer may well be adopted on the position, function, and utility of the Federal Council or Reichsrat :—

“ The constitution has assigned to the Reichsrat a share in the federal legislation and administration. But in neither direction is it ever the decisive factor. It has not even co-ordinate authority with those other organs in which these powers are primarily vested. Its duties are substantially those of an advisory council, *viz.*, in the main,

to make suggestions and recommendations, to impart information, to approve, to check, and to delay." (*The Constitution of the German Republic*, p. 110.)

It may be interesting to add that in 1926 the Reichsrat consisted of 68 members, of whom Prussia had 27, Bavaria 11, Saxony 7, Würtemburg 4, Baden 3, and the other Länder 16.

The extraordinary expedients of a Referendum or an Initiative, or a Recall by the people, though provided for in the constitution, are weapons in reserve, seldom used in practice.

THE JUDICIARY.

The Judiciary is freed altogether from any dependence on the Executive, by the judges being appointed for life, (104) and made irremovable from their place except by a judicial decision to that effect, or attaining the maximum age prescribed by law. The ordinary jurisdiction is entrusted to the *Reichsgericht* or the Supreme Court of Judicature at Leipzig, which acts as the final court of appeal, gives authoritative interpretation, and tries all cases of conflict between the federal and state laws. It has, however, no power to try the validity of a federal law, or the constitution. Special cases of disputes between states, or between any state and the Federation, are tried by a state Court, which is also the body before whom impeachments for the culpable violation of the Constitution by the President or other high officers of the Republic are to be preferred. But this tribunal is not a permanent institution, but is set up as and when re-

quired. In addition to these, there are Administrative Courts set up to protect the individual against the orders and decrees of the executive ; Military Courts, which can be established only in war-time or for trying offences committed on men-o'-war actually in commission ; Courts Martial set up by a decree of the President in those areas which are declared to be in a state of siege (48) ; and Consular Courts. Each state has also its own system of judicial tribunals.

THE DEFENCE FORCE.

Very little need now be said about the Defence Force, except that its very name is suggestive of the new angle of vision of the German Republic. The Versailles Treaty very rigorously limits the total military force of Germany to 100,000 men ; and a very small navy for coastal defence ; and Germany finds she has unexpectedly benefited under the arrangement, as I shall show in another connection.

V.—POLITICAL PARTIES AND PUBLIC OPINION IN GERMANY.

I have already referred in passing to the dividing line among politically minded Germans, and will here try to elucidate the basic principles or ideals of the principal parties. The main line of division may well be said to run along the conflicting ideals of a socialist state and an individualist one. But over and above the all important economic issue, there are minor principles—no less important in practice, however,—which cut across the main line of division and give rise to a number of

midway parties, or shades of public opinion. The form of Government—monarchist *vs.* republican—is one of those minor but significant cross divisions. The old conservatives now known as Nationalists, and the National Liberals now known as the Peoples' Party, are two definitely monarchical groups—the former consisting mainly of the landed interest with to-day a wider appeal to whomsoever desires a return to the old Bismarckian State; and the latter of the great industrialists and big business in general, to whom the old Empire stands still symbolic of their own rise and prosperity. If the old Junkers still bewail in the new Reich its loss of power among nations based on armed force, the Nationalists embracing Big Business regret most the lack of opportunities or openings for material enrichment in the new regime. Both distrust the socialist bearings of the new republic, even as they dislike its republican propensities.

More numerous as well as more important than these irreconcilable reactionaries, is the Centre party, with its strong-hold in Catholic Germany. It has no great objection to the Republican Reich in principle, though, perhaps, a majority of its members might prefer—if they were asked their personal predilections—a monarchical government, especially if it were a Catholic Monarchy. It is aware of the expediency of having a strong central Government for the entire Fatherland ; but, consistently with the integrity of the Fatherland, it would not abandon the claims of the States to a fair consideration of their rights. The Centre is usually allied and most in sympathy with its left wing

of Democrats, who were richest in talent but poorer in numbers. Convinced republicans and ardent federationists, they are also not indisposed to gradual progress towards social equality. They thus claimed the undivided allegiance of the intelligentsia and the enlightened bourgeoisie—the lower middle class, as also of non-socialist workers, such as those belonging to the Hirsch—Duncker Trade Unionists.

More still to the left are the pronounced Socialists. The so-called majority or Social Democrats make the largest party in the Reichstag ; and their moderation must be admitted to have proved the salvation of the nation in its darkest hour. They now stand firmly for the republic against monarchical restoration of any kind ; for the Reich against the states ; for the Reichstag against the President ; for the workers against the capitalist exploiters of any kind ; and for as rapid a socialisation of the wealth of the community as is consistent with its integrity and stability. It is in these respects that the Minority Socialists, or communists differ from their comrades ; for this extreme Left Wing of the German Parliament desires radical changes revolutionarily. They are now known as the Independents.

The following summary in tabular form, compiled from the German Weekly *Heimat Dienst* will serve to give a bird's-eye-view of the ebb and flow of public opinion in Germany :—

N.B.—The figures for Votes cast are in million.

| | National Assembly. 19—1—1919 | 1st Reich- stag. 6—6—1920 | | 2nd Reich- stag. 4—5—1924 | | 3rd Reich- stag. 7—12—1924 | | 4th Reich- stag. 20—5—1928 | | | |
|-------|--|---------------------------------|-------|---------------------------------|-------|----------------------------------|-------|----------------------------------|-------|------|-----|
| | | No. of Votes | | No. of Seats | | No. of Votes | | No. of Seats | | | |
| | | Votes | Seats | Votes | Seats | Votes | Seats | Votes | Seats | | |
| I | Social democrats (Majority Soc.) .. | 11.5 | 165 | 6.1 | 173 | 6.0 | .. | 7.9 | 131 | 9.1 | 152 |
| II | Centre .. | 8.9 | 90 | 3.8 | 68 | 3.9 | .. | 4.1 | 68 | 13.7 | 62 |
| III | Democrats .. | 5.6 | 75 | 2.3 | 39 | 1.7 | .. | 1.9 | 32 | 1.5 | 25 |
| IV | Nationalists .. | 3.1 | 42 | 4.2 | 66 | 5.7 | .. | 6.2 | 110 | 4.4 | 73 |
| V | People's Party .. | 1.3 | 22 | 3.9 | 66 | 2.7 | .. | 3.0 | 51 | 2.7 | 45 |
| VI | Communists .. | 0.3 | 22 | 0.6 | 15 | 3.7 | .. | 2.7 | 44 | 3.3 | 54 |
| | Economic Party .. | 2.5 | 7 | 0.2 | 32 | 0.7 | .. | 1.0 | 57 | 1.4 | 23 |
| | Miscellaneous .. | .. | 6.9 | .. | .. | 4.9 | .. | 3.4 | .. | 4.7 | 56 |
| Total | .. | 30.2 | 423 | 28.2 | 459 | 29.3 | .. | 30.2 | 493 | 31.8 | 490 |

There is, in this picture, a steadiness of the political mind of Germany, a stability and balance of parties, which must be gratifying to all those pinning their faith to the virtues of compromise. Obviously, in this conjuncture, no single idea of political Government or economic justice would be allowed to run away with the machinery of the State. All have a fair, if not an equal, chance of having their views respected ; and most share certain basic ideas regarding the immediate future of their Fatherland, which must make effective co-operation even in the inevitable coalition much easier. The elections are, of course, dominated by parties, not individuals ; and parties are in consequence—and have to be—far more compact, disciplined, organised, than in most neighbouring countries. Opinion, therefore, as reflected in the national legislature shows a reassuring steadiness and moderation, which might well be envied even in the more conservative countries. The domination of foreign affairs in the early years of the Reich, combined with the seemingly hopeless tangle of the Reparations, obscured all other issues making for party divisions. Even now the question of occupation of German territory and the liabilities under the Dawes scheme are not ended. But Germany has given sterling proofs of a change of heart at Locarno and in the new Peace Pact. She is admitted to the League of Nations at last as an equal member. If these are true signs of the times, we would not be utterly unauthorised to draw the conclusion that very shortly now the most important issue of the domestic social and economic problem will dominate the field in Germany. And judging

from her moderation in the past, her friends, and admirers need have no apprehensions about the eventual destiny of the most earnest, the most educated, the most thoughtful and disciplined nation in the world.

POST-WAR GERMANY

An object lesson in National Reconstruction.

LECTURE IV

ECONOMIC FRAME-WORK AND DEVELOPMENT.

I. ECONOMIC POSITION OF GERMANY BEFORE THE WAR.

LADIES AND GENTLEMEN,

Germany stands an object-lesson to the whole world in her efforts at reconstruction in every department of the national life after the immense wastage of the War, and the unspeakable dislocation of the years immediately following the Peace. The reconstruction effort had to be great as it was varied, in proportion as the industrial development of Germany before the World-War had been rapid, intense, and all-embracing. Except, perhaps, Japan, no other country in the world has wrought such a radical transformation in her economic structure, ambitions, and progress as the Germany of the Hohenzollern epoch. At the beginning of the Nineteenth Century, Germany was almost wholly an agricultural country. The ancient commercial glories of the Hansa towns were a thing of the past, not only because of the ravages and the consequent dislocation of the Napoleonic wars ; but because of the lack of that industrial and

productive apparatus without which commerce could not flourish. Britain, besides, had, by the commencement of the nineteenth century, completed her Industrial Revolution so completely altering the equipment of industry and the volume of production, that no European nation was in a position effectively to compete against British goods in its own markets let alone the markets of the world. The wonderful genius of Napoleon had, indeed, started France on the path of intensive industrialisation of the British type. But Germany, in the first quarter of the nineteenth century, had neither the machinery nor the knowledge sufficient to enable her to make a bid even for her own markets. Her chemists and physicists had yet to be born ; her wonderful rail-roads and canals were still represented by country tracks, knee-deep in mud and slush during winter ; while the very conception of her gigantic factories was not even dreamt of.

Meanwhile the Liberal school of her statesmen, immortalised in such names as Stein or Hardenberg, had come so fully under the influence of the British and French philosophy of rank individualism and perfect *laissez-faire* in economics, that all their energies were concentrated upon securing the freedom of the agricultural workers from a state of practical slavery, and accomplishing a corresponding freedom of the movements of goods in the different states of the country. It was not until List had preached the gospel of national economy, and Bismarck had demonstrated the possibilities of concerted action in response to a

definite policy and a fixed design of national development, that Germany girded up her loins for an industrial regeneration, which has justly been the marvel of the world. The following statistics and comparison are illustrative of that regeneration— even more significant of the slow and silent revolution in the life and sentiment of the German people than the political renaissance of the country.

As already remarked, England was, at the beginning of the nineteenth century, the manufacturer as well as the banker and merchant of the world ; the forge and the workshop, the miner and the carrier *par excellence* ; and for 3 generations thereafter she maintained her industrial supremacy, and consequently her commercial grip of the world. France was a rival—but always uncertain, hesitating, and altogether ineffectual in her rivalry. Beginning, however, with the foundation of the German Empire, Germany makes a bid for a place in the roll of the industrial nations ; which, in less than a generation, took her to almost the first place in the list of the productive nations of the world. Take the following comparative statement of her productive activity in two of the most typical of modern industries :—

| Coal Production of Germany. | Iron (in million tons). | | | | |
|--------------------------------|-------------------------|---------|-------|-------|--------|
| Year. | Metric tons. | Year. | Ore. | Pig. | Steel. |
| 1862 .. | 15,570,000 | 1862 .. | 2.21 | .68 | .5 |
| 1871 .. | 29,398,000 | 1872 .. | 5.89 | 1.98 | 2.8 |
| 1875 .. | 37,436,000 | 1876 .. | 4.71 | 1.61 | .. |
| 1901 .. | 108,939,000 | 1902 .. | 17.96 | 8.52 | 7.78 |
| 1905 .. | 121,298,000 | 1906 .. | 26.73 | 10.87 | 11.30 |
| 1913 .. | 191,511,154 | 1913 .. | 28.60 | 19.29 | 14.87 |
| | | | | | (1914) |

In ship-building and shipping an equally astounding revelation had taken place in the same period. In the early days of the Hohenzollern Empire, the ship-yards of the Clyde and the Tyne ruled supreme ; and the maxim was universally believed that England alone built good ships, and that she could not build bad ones. The early German shipowners of the empire bought their new ships in Britain ; and the first considerable liner was ordered at Stettin in 1887. By intense encouragement of the State, however, Germany became in less than a generation, the second largest ship-builder of the world, owning a net tonnage of 3.32 million on January 1, 1914, including the world's largest transatlantic liners. The textile industries of cotton and silk tell the same tale, Germany possessing by 1906, 9,73 spindles and 231,200 looms. The Electrical industry was, of course, the creation of the Empire period, as also the vast and most profitable manufacture of aniline dyes and of potash. Agriculture, too, was by no means neglected. Careful application of science to that most ancient and the most important industry had made the unit yield of wheat, rye, barley, oats and potatoes most considerable by a most handsome margin in Germany in comparison to her nearest rival in Europe or America ; while even in the aggregate produce of her fields she was more than holding her own. The income and wealth of the Empire had doubled in the quarter century between 1887-1913.* The same tale of steady expansion and progressive efficiency was noticeable

* Helfferich's Germany's Economic Progress and National Wealth
1888—1913.

in the accessory industries of Transport and communications by rail and water, and reflected in the development of the overseas trade, which may be viewed comparatively in the following figures.

| | | 1887 (in million marks) | 1912. | Increase |
|-------------------|------------|-------------------------|---------|----------|
| Germany .. | Imports .. | 3109.0 | 10691.4 | 243.8% |
| | Exports .. | 3136.9 | 8956.8 | 185.4% |
| United Kingdom .. | Imports .. | 6187.8 | 12914.4 | 108.7% |
| United States .. | Imports .. | 2870.4 | 6800.9 | 136.9% |
| | Exports .. | 2952.7 | 9115.3 | 208.6% |
| France .. | Imports .. | 3261.1 | 6360.7 | 95. % |
| | Exports .. | 2629.7 | 5309.1 | 101.8% |

While in dyes, potash, and electrical production Germany was easily the first, in iron and steel she was a good second to the United States, and in coal third after the United States and Great Britain, among the principal producers in the world. In shipping and ship-building, as well as in foreign trade, she was a growing second ; and in the general wealth of the community or per capita income, not much below Britain and the United States.

Side by side with the progress in industrial and commercial expansion, Germany had also taken the lead in bringing about a progressive

* The above particulars have been compiled from W. H. Dawson's *Evolution of Modern Germany*, and Helfferich's, *Germany's Economic Progress and National Wealth 1888—1913*.

reconciliaton between Labour and Capital ; or, failing that, in trying to secure to the worker a fair return for his labour. Her code of factory laws and welfare legislation, including a gigantic scheme of Social and Industrial Insurance and Old Age Pensions, was unique in the world for twenty-five years after its introduction. And though she was the native place of modern communism, and though the volume of the socialist vote was the most considerable there compared to any other European country before the War, the spirit of class antagonism was neither so bitter nor so deep and widespread as in her principal rivals in industry. This may, indeed, be explained away by pointing to the intense militarism of the Hohenzollern Reich ; but, I think, at least an equal credit must be given to this body of socio-economic legislation, whose need as well as justice Bismarck was the first among European statesmen to perceive.

The Reich, before the World-War, had a total revenue of £ 184.80 million, being derived principally from customs, certain branches of excise, and the profit of the state-owned posts, telegraphs and railways, *plus* matricular contributions from individual states making up the Reich—the assessment being per head of population, and the rate being fixed each year in the Imperial Budget. On an annual per capita income of 642 marks or £ 32.1, the average incidence of taxation of all kinds of £ 2.77 could not by any means be said to be crushing. The following summary of the last peace Budget in Germany would be interesting as well as instructive.

Year ending March 31, 1914.

| "Revenue. | (In million mks.) | Expenditure. | (In million marks.) |
|--------------------------------------|-------------------|-----------------------|---------------------|
| Posts and Telegraphs | 842·369 | Reichstag | 2·235 |
| Printing Office | 12·130 | Chancellery | 0·318 |
| Railways | 153·779 | Foreign Office | 18·975 |
| Miscellaneous | 80·121 | Home Office | 96·708 |
| Treasury Receipts | 2488·998 | Colonial Office | 2·930 |
| | | Imperial Army | 775·919 |
| | | Navy | 197·396 |
| | | " Ministry of Justice | 2·829 |
| (N.B.—These included:— | | | |
| 1. Customs & Excise | 1407·500 | Treasury | 40·632 |
| 2. Stamps | 247·780 | Debt Service | 237·783 |
| 3. Matricular Contributions for 1913 | 255·420 | Audit | 1·323 |
| Total Ordinary | 3577·398 | Pension Fund | 142·542 |
| Total Extraordinary | 118·634 | Posts & Telegraphs | 699·335 |
| | | Printing Office | 8·862 |
| Total Revenue | 3,696.033 | Railways | 108·709 |
| | 184,881,660 | Treasury Exp. | 114·322 |
| | | Transitory | 127·939 |
| | | Extraordinary | 118·624 |
| | | | |
| | | Total | 3696·033 |

^aThis has been compiled from the Statesman's Year Book, 1914 pp. 899-901.

The Military Budget is a little unintelligible, since the same authority gives for 1913-14 a total expenditure of £ 97.845 million or 1956.900 million marks, while the total given here is 963.315 million marks only.

The total debt was only 4802 million marks funded, and about 130 million marks unfunded, involving an annual charge of less than 240 million marks, equal to £ 12 million.

II.—ECONOMIC CONSEQUENCES OF THE WORLD-WAR IN GERMANY.

Such was Imperial Germany before the War. Without speaking at all of the political right or wrong on her side during the War ; nor concerning ourselves with the relative military efficiency, it may yet be said that the economic situation of Germany, at the time the war broke out, gave her every reason to feel confident. True, the economic organisation had been so developed as to render her dependent for the elementary necessities of life—food for her people, and raw materials for her industry—on foreign commerce ; and the probabilities were that the outbreak of War would put an end to the bulk of this foreign trade. Germany, however, had not much anxiety on that score ; not only because she was counting on a short, if sharp, struggle, followed by a peace of victory for her in the field ; nor even because the position of her allies and of the neutrals had not shut to her all markets in the world; but because she felt,—and not without reason,—that in all that pertained to the conduct of the war, she was more than self-sufficient ; and that even as regards food-stuffs and raw materials,

she could, if the worst came to the worst, depend upon her most wonderful advance in chemistry to provide her with tolerable substitutes for the time being.

Under these circumstances, it is easy to understand why the statesmen and financiers of Germany began the War in a vein of optimism. For two years, they went on paying for the war-expenditure not by increased taxation but by borrowed monies. Though currency inflation had begun almost with the War, the evil effects of the process were not visible till the War was very far advanced. Germany was, perhaps, alone among the principal belligerents to do without any moratorium on the outbreak of the war, and the consequent dislocation of trade and credit all over the world. She maintained her international credit in the neutral markets wonderfully, considering the strain placed upon her. In all the four odd years of the War Germany's total adverse balance of international payments was some £ 750 million, which was met by actual gold export of about £ 50 million ; securities exported of £ 200 million, of which £ 150 million were really foreign securities held in Germany, and " Of the remaining two milliards of gold marks (£ 500 million) one-third he considers was covered by foreign currency credits, while the remaining two-thirds were financed either by the assumption of new indebtedness (in marks), or by the purchase of mark notes and mark balances by foreign speculators."*

* C.P. Schacht **Stabilisation of the Mark**, p.28.

The optimism of the German financiers was, however, responsible in no small degree for a good deal of the economic troubles that followed. Dr. Schacht, President of the Reich Bank to-day, points out, in his work already quoted, that while in England they met 20% of the entire cost of the war from taxation, in Germany only 6% was so met, all the rest being met out of borrowed monies of one kind or another. † Though this must be held responsible for the beginning of inflation and the consequent dislocation, the end of the war, as it eventually did come, quite contrary to all German expectations or calculations, more than ever intensified the evil. I have already spoken of the loss of territory inflicted upon Germany by the Treaty of Versailles, and the consequent diminution of her labour-force and material resources ; as also the yet more considerable loss of colonies—which deprived Germany at one blow of her sources of raw materials as well as of no inconsiderable share of the market for her produce,—and of her vast shipping, which indirectly imposed upon her a tribute in the shape of the freight charge she must now pay on her overseas trade to the foreigner. We need, accordingly, scarcely labour the point here, beyond observing that the Treaty was not content with imposing just these direct losses only. It required Germany to grant the most favoured nation treatment to her erstwhile enemies, and also exempt the goods from her old province of Alsace Lorraine from the German customs duties, though now no longer forming part of the Reich. The

† Ibid p. 23.

Reparations burden—immense and unbearable as it was, was made doubly impossible by these indirect and collateral handicaps. The War had already, in its last years, been made a most grim struggle for the Germans by the loss of the greatest neutral market—America—and the consequent intensification of the blockade. With the signing of the Armistice, hope had been revived—only to be dashed most cruelly to the ground the next moment by the inflexible determination of the Allied and Associated powers to starve Germany, as it were, out of existence. There was a chronic shortage of food in the country for over two years before the War ended. The people had been most rigidly rationed, and living on the most incredible substitutes for food. The German chemist had no doubt lived upto his reputation, and proved a veritable alchemist in his endeavours to make food out of the bark and leaves of trees, and from grass and other similar material. But these could neither allay hunger nor really nourish the body. With the return of Armistice, and the inability of Germany to procure food or raw material at any cost, the debility, starting with the last years of the war, began to intensify, reacting, as it was bound to do, on the industrial efficiency of the German worker. Capital also suffered, not only because of the surrender of large quantities of goods and material under the Armistice, but also because of the long starvation inevitably imposed upon all industry not directly concerned with the requirements of the War, in the shape of the absence of any provision by way of repairs and renewals and replacements of plant, machinery, and general equipment.

The productivity, therefore, of the German industry was substantially affected. Against 191 million odd tons of coal produced in the last peace year in Germany, only about 140 million or so was producible in the last war year ; and the rate was still lower in the first peace year ; so that Mr. J. M. Keynes estimated, in his *Economic Consequences of Peace*, the aggregate annual production for the reduced German territory of not more than 100 million tons. And the same tale was repeated in other industries, for very nearly the same causes. The new rulers were, accordingly, most anxious to obtain from the Allies against them the food and raw material necessary as much for the economic rehabilitation of Germany, as for the discharge of such obligations as were imposed under the Peace Treaty on Germany in the name of Reparations. The latter demand was by itself a very material cause of the hopeless dislocation and virtual break down of the German economic machine ; but it was rendered a hundredfold worse than it actually was by the concomitant influences we have indicated above.

III.—THE ECONOMIC FRAME-WORK OF THE NEW REPUBLIC.

It was under these conditions that the new republic started her existence. I have already referred to the compromise in the constitution of the Reich, which prevented the new country from becoming a replica of the soviet regime in Moscow. The fundamental institutions of the individualist society were guaranteed by the Constitution, within the conditions prescribed under that instrument.

Thus property was guaranteed along with the right of inheritance, subject, of course, to such burdens of taxation as the law of the land might impose. Freedom of trade and of contract was similarly guaranteed ; but at the same time a "moral duty" was imposed on all citizens, men as well as women, to employ their powers of mind and body in some productive work. The state at the same time assumed upon itself the elementary obligation of finding work suitable to the physical and mental powers of every citizen, guaranteeing to each such a right to live, even if any bodily or mental infirmity precluded any one from contributing his or her quota to the wealth of the community.

To ensure these primary economic conditions or obligations being duly carried out in practice, the new Constitution set up a distinctly original machinery in the shape of a National Economic Council. Under article 165, the Constitution calls upon workmen of all grades to co-operate, on a footing of perfect equality, with employers in the regulation of wages and the conditions of labour, as well as in the general development of the nation's productive forces. The principle of collective bargaining,—unmistakable hall-mark of efficient organisation of labour,—is likewise recognised by the same Article, perhaps for the first time, in Germany. In every industrial establishment of any importance, a Works' Council has to be established by law, consisting of equal representatives of Labour and Capital, and entitled to participate in all questions pertaining to the conduct of the factory or workshop. The general conduct of the

business still remains with the employers ; and the *Betriebsrat* cannot override the collective agreement made on behalf of the labour engaged in the particular industry by its appropriate Trade Union. Subject to this, however, the Works Council, consisting, in each establishment employing at least 20 persons, of not less than three and not more than thirty for a very large concern, advises on securing the maximum output ; co-operates in the introduction of new methods and machinery of work ; safeguards the business against needless industrial war, appealing, wherever necessary, to the Conciliation Board, if its own unaided efforts at securing peace prove futile ; determines the general conditions of labour in the establishment in agreement with the employer ; participates in the prevention of accidents, supervision of health conditions, administration of the pensions fund, and generally in all questions concerning the welfare of the workers. This was the most considerable gain of the German worker under the new regime, which he secured finally by a law passed on February 4, 1920, though, of course, it did not please the more advanced communists who wanted workers' and soldiers' Councils of the Soviet type. The employers, also, were not quite satisfied with this arrangement, since they feared their sole control of the management of their business would be substantially impaired, to the general prejudice of the business itself. As Mr. Gooch sums up the case, however :—

“ The attitude of the employer differs with individual temperament and circumstance. The fear that the management

of their business would be taken out of their hands has vanished, and in many cases they recognise the practical convenience of the system. The obligation to show balance-sheets is resented in some quarters ; but balance-sheets can be presented in a form, which hides almost as much as it reveals, and business secrets need not be communicated. While in no way detrimental to the interests of the employers, the works Councils have proved of undoubted benefit to Labour. Their greatest value lies in the protection against arbitrary dismissal and in the region of social welfare."

The individual Works Council of each establishment is, next, linked up with the District Workmen's Councils, organised so as to correspond to industrial areas ; and all these are finally combined in a Federal Workmen's Council. The National Economic Council,—the Economic Parliament of Germany, if we may so describe the institution, following the model of the Webbs' plan of *A Socialist Constitution for the British Commonwealth*,—is formed of representatives of Employers and Workmen's district councils and the Federal workmen's Council, together with a sprinkling of those representing other sections of the community interested in such questions. The object of the National Economic Council, as laid down in Article

(Gooch, **GERMANY, in the Modern World Series**, p. 299, from which the foregoing account has also been summarised.)

165 of the Constitution, is "the accomplishment of the economic tasks in general and to collaborate in the execution of the socialisation laws in particular." The first *Reichwirtschaftsrat*, created by a decree of May 1920, consisted of 326 members, of which agriculture and industry contributed 68 each ; commerce, banking, and insurance 44 ; handicrafts 36 ; transport 34 ; consumers 30 ; smaller occupations in proportion to their importance ; and a small quota nominated by the Federal Government and the Reichsrat, consisting of officials, professional men, economic experts, and the like. Men like Rathenau, Stinnes, Cuno on the employers' side ; and like Legien, the acknowledged leader of the Trade Union movement in Germany, on the Labour side, met in this Parliament of Industry, and worked for national reconstruction at the most critical time, perhaps, in the economic history of Germany. The principal business of this body has been thus outlined by the Constitution itself :—

" Bills of fundamental importance in relation to matters of social and economic policy, before being introduced in the Reichstag, shall be submitted by the Federal Government to the Federal Economic Council for an expression of its opinion. The Federal Economic Council itself has the right to initiate such bills. If the Federal Government does not agree with any such bill, it is nevertheless bound to introduce it in the Reichstag, with an explanation

of its own standpoint. The Federal Economic Council may delegate one of its members to appear before the Reichstag in support of the Bill'. (Art. 165.)

With this frame-work, the new republic had necessarily to steer a middle course in all major issues of fundamental principle, particularly in regard to the socialisation of industry and of property. No counsels of extreme action would commend themselves to the majority in the Legislature, and no action can be taken without the sanction of the Legislature. Compensation for all schemes of socialisation, themselves undertakable only for some definite public purpose, had to be awarded on a reasonable scale ; and the fact that the community had neither a surplus nor credit to permit such compensation went a long way in moderating the ardour of the majority of socialists. In actual practice, the heavy demands of Reparations, and the continued threats of economic sanctions in the event of Germany failing to meet her bond exacted from her at Versailles, forced the Reich into a policy, which made all other questions of altogether second rate importance, for the time being at any rate. The currency of the Republic became progressively disorganised and eventually utterly discredited. In the wake of the currency debacle came rapidly the total dislocation of the credit machinery, rendering the economic life of the country entirely a chaos and hopeless confusion. The occupation, by way of "productive guarantees" or "economic sanctions" under the Treaty, of the most produc-

tive region of Germany, *viz.* Ruhrland, in 1923, added immensely to the already heavy troubles of the Reich. Their first reply to the pressure of France and Belgium by way of Passive Resistance to the occupants only rebounded on themselves so far as to put out of gear completely the entire economic machinery of the State. It is in the measures adopted to rehabilitate the Reich in its economic aspect, bit by bit, that the greatest fascination and object-lesson of Post-War Germany seems to lie. We shall, therefore, proceed to cast a glance at two of the most intricate economic problems of post-war Germany : The Stabilisation of the Mark, and the restoration in the Budget equilibrium, which had been disturbed, as much by the currency difficulties, as by Reparations demands and War legacies in general.

IV.—THE VICISSITUDES OF THE GERMAN CURRENCY SYSTEM AFTER THE WAR.

Mention has already been made of the fact that the principles of war finance followed in Germany by Helfferich in the first years of the War was responsible for a considerable degree of inflation. This, however, was not perceived at the time, because of the inherent strength of the economic and credit machine in those days. The normal peace-time circulation of the Reich Bank notes was about 2,000 million marks, £ 100 million. There was an increase soon after the declaration of the War ; by November, 1914, the note-circulation had been practically doubled. As half of the increase was to replace the gold withdrawn, the increase was unperceived in the index numbers. By the end of the War, however, the steady increase

in the Reichs Bank notes had made the total of all circulation to be 28.4 milliards of marks, of which 17 milliards consisted of the Reichs Bank notes, and the rest were notes of the so-called *Darlehnkassenscheine*. Says Dr. Schacht, in his work on *The Stabilisation of the Mark*:—p. 16.

“ The figures reveal the fact that the circulation per head of the population had risen from about 110 to about 430 marks. The steady decrease of the stocks of commodities in the country as the result of the blockade was accompanied by a nominally increased, but really reduced, purchasing power of the distended circulation ; and this reduction of purchasing power, of which the increase in the cost of living was the expression, gathered momentum as it went. At the same time the necessity of importing as many commodities as possible through neutral countries made it necessary to give marks in payment to foreign countries even at a discount on the exchange. So long as the additional purchasing power, which the increase in the circulation represented, was devoted to the purchase of the war loans or the bonds of the floating debt, the dangers of the inflation were still held more or less in check. But as the war went on, the Reich got less and less of the benefit of the additional purcha-

sing power—which it had itself created—in the form of purchase by the public of its loans and bonds

On November 7, 1918, at the end of the war, the total floating debt of the Reich, in the form of discounted Treasury bonds, was 48.5 milliards of marks. Of these 48.5 milliards, 19.2 milliards were held by the Reichs Bank for its own account, and a corresponding amount of notes had, of course, been put into circulation."

The imperial Government had, no doubt, adopted some measures to arrest this downhill progress, such as the centralisation of all Foreign Exchange business in 26 banks including the Reichs Bank (January 20, 1916); and the strict control of that business through the Reichs Bank (8-2-1917). Mobilisation of all foreign securities held by the Reich subjects was also adopted to serve as a pledge for foreign credits; and the speculation of foreigners buying up the mark as it fell in exchange value was not always prejudicial to Germany. But the speed at which inflation was growing was beyond all these remedies to arrest. And when after the war the temporary German Currency used in the enemy countries occupied had to be made good by the Reich; when we remember the accumulation of the transfer—or the so-called Giro—balances at the German banks; as also the host of subsidiary currency issued by a number of public and private bodies specially authorised to do so, we need not wonder at the volume this

inflation gathered in the aggregate in the course of the years that followed the conclusion of peace. In the latter period, the additional mischief of the impossible Reparation demands left the new rulers of Germany no alternative but to go on selling marks for what they could to obtain acceptable foreign exchange in order to satisfy the exigeant French demands. The irony of fate showed a growing prosperity in industry with every increase in the inflated circulation. And though that prosperity was a mere hallucination and completely illusory, it became so dear to the short sighted publicists and industrialists, that when at last a radical cure was thought of, no inconsiderable proportion of the opposition to the reform measures came from Germany itself. As the prices of commodities rose like rockets, the paper mark profits of German industry became, of course, astounding. But as the value of money fell with every increase in circulation, the budget of the State was thrown constantly out of gear. Additional taxation was more than once tried ; but taxes had necessarily to be expressed in the current money ; and as between the time the taxes were proposed and the time they came to be paid, the value of the paper money, in which they were paid, had fallen continuously, the Budget expectations could never be realised. This is quite apart from that other evil of those evil days, which lay in a growing tendency to evade tax-payments. Lord D'Abernon, British Ambassador to Germany, gives the following figures in his paper on : *German Currency : Its Collapse and Recovery 1920-1926.* (Presidential Address to the Royal Statistical Society, November 1926) :—

| Date. | Reichsbank notes in circulation (Milliard Mks.) | Exchange rate of the day (mks: for £) | Equivalent in Sterling (million £) |
|------------|---|---|---|
| 31—12—1919 | 35·7 | 184·8 | 193·2 |
| 31—12—1920 | 68·8 | 258·0 | 255·5 |
| 31—12—1921 | 113·6 | 771·0 | 147·3 |
| 31—12—1922 | 1,280·1 | 34,000·0 | 34·4 |
| 31—1—1923 | 1,984·5 | 2,27,500·0 | 8·7 |
| 28—2—“ | 3,512·8 | 1,06,750·0 | 33·0 |
| 31—3—“ | 5,517·9 | 98,500·0 | 56·0 |
| 30—4—“ | 8,583·7 | 3,20,000·0 | 26·8 |
| 31—5—“ | 17,291·1 | 7,10,000·0 | 24·3 |
| 30—6—“ | 20,341·8 | 8,00,000·0 | 25·4 |
| 31—7—“ | 43,594·7 | 5,000,000·0 | 8·7 |
| 23—8—“ | 2,73,905·4 | 23,000,000·0 | 11·9 |
| 15—9—“ | 31,83,681·2 | 4,10,600,000·0 | 7·8 |
| 15—10—“ | 1,23,349,786·7 | 18,500,000,000·0 | 6·8 |
| 15—11— | 92,844,720,743·0 | 11,00,000,000,000·0 | 8·4 |

Lord D'Abernon adds a pertinent gloss to this picture by observing : “The more notes the Reichs Bank issued, the less the aggregate exchange value of the notes in circulation became. Quality, or value in the world market, decreased more rapidly than quantity could be increased ; and this although every effort was made to stimulate note-output.”

The climax came in midsummer 1923. Dr. Hermes, the Finance Minister of the Reich, tried, by his new taxation proposals, to make “a frontal attack on the floating debt.” But the yield of his taxes on private persons and companies as well as the “Rhine and Ruhr sacrifice”—a kind of super tax,—was disappointing in the extreme, the tax yield being less than 2.7% of the total. The Reichs Bank, moreover, had been asked more than once to intervene and stabilise the mark, or at least to arrest its further downward progress. But, after

more than one attempt of the kind, the problem had to be given up as beyond the ability of the Bank. Legislation, also, aimed at controlling dealings in Foreign Exchanges, and so eliminating or at least rigidly restricting the element of speculation, only served to make the credit and currency system surrounded by a network of artificial but utterly ineffective restrictions. The Reichs Bank gold reserve was depleted by these efforts, from over a thousand million gold marks at the beginning of 1923, to 467 million gold marks on November 23, 1923, when the final arrest of the collapse was made. International currency experts, like Keynes and Cassel, were called in to advise the German Government during this period. They were, however, generally agreed that any scheme of stabilising the mark would be doomed to failure so long as Germany was not allowed breathing space to make the Reparation payments ; and that even when stabilisation was attained through a veritable surplus created in Germany by means of this temporary relief of reparations demands, that stability would be impossible to maintain, unless the entire Reparations question was in the meanwhile finally settled. They were, of course, not unaware of the internal difficulties in Germany ; but they took a sanguine view of the possibilities of an industrial surplus and budgetary equilibrium. Their plan, however, was not destined to be adopted ; and Germany had to wait for another year before the disaster was finally unbearable. The mark was repudiated by the German people themselves in the autumn of 1923 ; and real efforts at stabilisation began to be made from that time onwards.

It is surprising how soon Germany recovered her credit system, when once the nation's mind was made up to the sacrifice. Proposals for a reconstruction of the currency system on the basis of material values had been put forward, amongst others, by the most notable financier in Germany, Herr Helfferich, whose optimistic war finance was in no small measure responsible for the chaos as it eventually became. He sought to make the various economic units of the country—Agriculture, Commerce and Banking, Transport—the basis or pledge for the soundness and stability of the new Rogger-mark or Rye mark, as we might call it in English. These various units must, according to the Helfferich plan, establish a currency bank, under regulations drawn up by themselves, but approved by the *Reichskanzler*, the Bank, however, being independent of all government influence in its everyday administration. The capital of this Bank was to be found from a 5% mortgage charge on the economic units mentioned, being contributed as to one-half by agriculture, and the remainder by the other units in agreed proportions. Against these mortgages, interest-bearing letters of credit—*Rentenbriefe*—were to be issued, and these were to be used as security for the note-issue of this new Bank. These Rye-mark notes were to be exchangeable on demand against *rentenbriefe*, to be made legal tender by Government, and to be convertible against paper marks at a fixed ratio. The Reich was to stop discounting Treasury Bills making fictitious cover for the notes of the Reichs Bank. The floating debt created till that date was to be redeemed by 300 million of rye-marks placed at the

disposal of the Government by the new Bank. The credit of the Reich with the new Bank was also to be strictly limited, being fixed at one-half of the original capital and reserve of the Bank.

This scheme, however, did not commend itself to the currency reformers of Germany, who could not but remember the fate of the French *Assignats* of Revolutionary notoriety. They desired frankly a return to the gold standard, as being the sheet anchor of currency stability. The Helfferich plan was, however, adopted in so far as it required a mortgage on German productive units, and the principle of redeeming the notes of the new Bank in Rentenbriefe, together with the limitation of the Government credit, as also the suspension of limitless discount of Government Treasury Bills to serve as fictitious cover against notes. On the other hand, the independence of the Bank was to be within limits; while the grant of credit to private business was to be entrusted to the Reichs Bank, which was in consequence empowered to take over an equivalent in Rentenbank notes from that Bank for the purpose of financing private enterprise. The biggest change, however, in the Helfferich plan, was: that the notes were to be expressed not in terms of Rye-marks, but in terms of gold as before. The new money could, naturally, not be declared legal tender all at once; and it had to earn its standing before a fixed legal ratio could be prescribed to convert the discredited paper money.

With these modifications, the Rentenbank was established, when it at last materialised, with

the double purpose of securing thereby a sound and stable currency, and relieving Government of their financial embarrassments as far as the Bank could. Owing to the lack of an adequate gold reserve in the country, the Rentenmark notes were guaranteed by a mortgage on German agriculture and industry, of an aggregate value of 3,200 million gold marks, of pre-war parity. The Bank allowed an aggregate credit to the Reich of 1,200 million rentenmarks, of which 300 million were for redeeming the floating debt of the nation, and the remainder for ordinary requirements over a period of two years. The first Rentenmarks made their appearance on November 16, 1923 ; and the ratio of exchange with the discredited paper-mark was fixed at 1 billion paper marks=1 rentenmark=1 gold mark=4.2 gold marks per Dollar. Though the Rentenmark could not be international currency, and so useless for exchange purposes for which another Bank would therefore be necessary, by a strict limitation of the issues of this new form of currency, and the revival of public confidence in the material value behind these notes, the new currency rapidly made its way into public confidence, and so put an end to one of the gloomiest chapters of the post-war economic history of Germany. On the day the rentenmark was first put into circulation, the real value, at the current exchange rate of the day, of the total circulation was barely £ 10 million. Within two months, and before the black year of 1923 was ended, the gold value of the official currency increased to £ 113.6 million. The Rentenbank had promised to the Reich a loan of 300 million rentenmark to liquidate

its floating debt. The Treasury Bills outstanding on October 15, 1923 were 191·6 trillions, equal, at the official rate of conversion, to 191·6 million rentenmarks. Hence out of the promised accommodation to the Government, nearly 109 million rentenmark was saved to assist private enterprise. Freed of the incubus of a steadily depreciating currency, the Finance Minister could budget for the Reich on a gold basis, and secure a budgetary equilibrium by the help of a loan from the rentenbank of 900 million rentenmark, of which 800 million was needed for November 1923, to end of March 1924. In the closing days of 1923, Government tried their hardest to induce Herr Dr. Schacht, the inexorable Currency Commissioner, to exceed the limit of the Reich credit fixed in advance, if only to facilitate payment of one month's salaries and expenses. But Schacht remained firm and so saved the nation a repetition of the horrors of 1920-23. The Three-Tax ordinance of the new Finance Member was successful beyond expectation ; and the gold yield of the taxes grew rapidly. Whereas for the transitional period of 4½ months the budget expectation of tax receipts was, 1,381 million rentenmark = £ 69·05 million,— the actual yield was 1,931·9 million rentenmark = £ 96·595 million ! By March the current revenues began to meet all the current expenditure, so that the biggest source for inflation was remedied. The management of the Bank refused, towards the end of the year, any further extension of credit to the Government for the payment of current salaries and administrative costs ; but the refusal put the Finance Minister on his mettle, and hastened the

advent of budget equilibrium, which for nearly ten years was unknown in Germany. Says Lord D'Abernon :—

“To sum up, the year 1923 will always be remembered as the *annus mirabilis* of Germany’s financial history. It witnessed the greatest break-up, as well as the most remarkable recovery, of a modern nation’s currency and public finances. Nothing can be compared either to the abyssmal depths to which the finances fell, or to the extraordinary recovery that followed the re-organisation of the currency.”

Though the new currency was not founded on a gold basis because Germany herself had no adequate gold reserve,—and what she had was partially earmarked for other purposes ; and because foreigners would not lend any gold to Germany in her then condition, the parity of the new money with gold had to be and was rigorously maintained throughout. Basing himself strictly on the rigorously limited total issue of the new currency, the Currency Commissioner—and later Reichsbank President,—Dr. Schacht, managed to maintain the circulation of the Rentenmarks well below the 2,000 million point. Of this the Reichsbank always kept between 200 and 400 million in its own portfolio, so that the active circulation was seldom in excess of 1,600 to 1,800 million marks. The first notes of the Rentenbank were issued against Government credit—to pay current expenses and official salaries ; some more to redeem the “ Not-

geld " or emergency currency, which being thus withdrawn from circulation, removed the worst and the weakest element ; and some were also put into circulation by way of redeeming the Renten-briefe. For international payments a Gold Discount Bank was instituted by a law of March, 1924, side by side with the Rentenbank, on a capital of £ 5 million borrowed from the Bank of England, to finance the elementary imports into Germany. As part of this plan of stabilising the foreign exchanges, credits were strictly rationed and restricted by the Reichsbank to private Banks. Marks in consequence became very scarce. The Reichsmark of the new issue maintained its exchange parity ever since 1924, chiefly because by the device of the " Einheitskurs " a uniform rate in dollar was maintained for all foreign currencies. The Reichsbank was an unlimited buyer for all foreign currency at a fixed rate in dollar, and at the same time that institution was the only seller of foreign exchanges.

The Reichsbank itself was reorganised by a law of August 1924, following the Experts' Report, and the London Agreement in respect of the Dawes plan, giving it a new lease of life for fifty years. The Bank is now the principal note-issuing authority in the Reich, though there are four other Banks in the Reich having the same privilege. It is considered for all practical purposes as a department of State. The reorganised Bank was to redeem in its own notes the notes of the Rentenbank ; and the task was rendered the easier by the obligation being spread over a period of five to ten years. The Bank

has a capital of 300 million gold marks, and must maintain a 40% cover against its notes, in gold and foreign bills. The profits of the bank are to be divided in stated proportions between the shareholders and the State, so that the State gets an increasing benefit from improving profits. The obligation to redeem the Reichsbank notes in gold is in suspension, the Bank Law having laid down that the obligation need not be assumed until and unless the Directors and the General Council concurrently resolve to that effect. Finally, the Rentenbank Liquidation Law transfers the entire charge of the redemption of the rentenbank notes on agriculture only, the mortgage charge being increased to 5% and the interest being reduced from 6 to 5%. Government, however, made its own sinking fund for the redemption of such of the rentenbank notes as had been put into circulation by its agency. All other activities of the Rentenbank in respect of agricultural development and financing were passed on to a new Agricultural Bank, the old Rentenbank being confined only to a redemption of its own notes—the total being withdrawn by 1934. On January 31, 1928, only 625.7 million marks of Rentenbank notes were still in circulation.

The net consequence of all these developments was : a practical abolition of all internal indebtedness in Germany. Unavoidably there has been widespread hardship in the process. But the clean slate obtained as a result of these heroic measures is worth more than all the losses and the hardships they entailed. The rentier class was the most

opposed to any talk of stabilisation of the currency, while inflation was at its height. It has naturally suffered the most by the implicit repudiation of the debts. The State, of course, has been the greatest beneficiary from these measures.

"The total relief to State finance" says Lord D'Abernon, "by stabilisation at $1=1,000,000,000,000$ (minus *Aufwertung*" or revalorisation at 2½%) has been computed at 80,000 million of gold marks (£ 4,000 million sterling), to which may be added £ 1,000 million Savings Banks deposits (with *Aufwertung* at 25%), £ 900 million mortgage debts (with *Aufwertung* at 25%), and an unknown quantity of private debts, debentures &c. It would not be an exaggeration to say that the total relief to debtors, public and private, was round about £ 10,000 million sterling."

Despite this, however, the credit of Germany to-day is strong as ever, the desire to save and bank not a whit less in evidence, the Savings Banks alone having deposits, by 31st December, 1927, of 4820 million Reichsmarks.

Revaluation was allowed, it may be added by a federal law of July 16th, 1925, which fixed the rate at which old indebtedness in certain specified cases may be redeemed.

V.—STABILISATION OF THE BUDGET.

The evidence of returning prosperity and of a reviving sense of security is even more clear in the restored equilibrium of the Budget of the Reich. The Federal Budget is, of course, largely conditioned still by the Reparation demand. And though Germany has regularly paid the instalments of the first four years of the Dawes scheme, these were admittedly for the transition period, and so considerably less heavy than the normal demands in the years to follow. The final aggregate charge on Germany on account of the Reparations has yet to be fixed. Until that is finally settled by solemn international agreement, German financiers may well feel doubtful about their country having completely and finally weathered the storm. Nevertheless, every cloud has a silver lining ; and the years of disaster that have preceded have brought unlooked for relief to Germany. The compulsory disarmament of the country has saved the new Reich something like £ 70 million every year ; while the virtual repudiation of the internal indebtedness has similarly relieved the exchequer of an annual burden before the War of some £ 12 million. The following comparative statement of the revenue and expenditure of the Reich in the last three years would be instructive :—

(in Million marks).

| <i>Year ending.</i> | <i>Revenue</i> | <i>Expenditure.</i> |
|---------------------|----------------|---------------------|
| 31-3-1925 | .. | 8,795.2 |
| 31-3-1926 | .. | 9,560.9 |
| 31-3-1927 | .. | 10,010.2 |

(These are estimates).

The details of the Budget for 1927-28 :

(in million marks.)

REVENUE

| | | | | | | |
|---------------------------|----|----|----|-------|----|----------|
| Taxes | .. | .. | .. | .. | .. | 6,860·0 |
| Customs | .. | .. | .. | .. | .. | 890·0 |
| Fees | .. | .. | .. | .. | .. | 207·9 |
| Mint Profits | .. | .. | .. | .. | .. | 190·0 |
| Surplus of previous years | | | .. | .. | .. | 200·0 |
| Loan | .. | .. | .. | .. | .. | 466·4 |
| Railways | .. | .. | .. | .. | .. | 605·0 |
| Other Loans | .. | .. | .. | .. | .. | 590·9 |
| | | | | | | <hr/> |
| | | | | Total | .. | 10,010·2 |

EXPENDITURE.

| | | | |
|---|----|-----------|----------|
| Payments to States and Communes | | .. | 3,082·2 |
| General Administrative expenses | | .. | 2,361·3 |
| Unemployment Relief | .. | .. | 610·0 |
| War & Civil Pensions | .. | .. | 1,474·8 |
| Internal Charges from War (Occupation) | .. | .. | 198·2 |
| Payment of Bonds & Reduction of Debt | | | 504·3 |
| Dawes Payments | .. | .. | 1,718·7 |
| | | | <hr/> |
| | | Total Rs. | .. |
| | | | 10,010·2 |

The total of the Army and Navy costs included in the above was some 680 million gold marks, or £ 34 million, a substantial relief as compared to her neighbours armed to the teeth. The debt of Germany has also grown since 1924, till it stands to-day at nearly 8,000 million marks or £ 400 million ; but that is nothing in comparison to the debt as it was or seemed to be at the end of 1923. The Reich now takes all the Direct Taxes, which were previously the monopoly of the constituent states ;

and has in addition considerable customs and excise levies and other taxation of a very complicated character. The following is compiled from the *Report on the Economic and Financial Conditions in Germany 1925-26* by Mr. J. W. F. Thelwall, Commercial Secretary to the British Embassy at Berlin :—

The chief taxes yield, in the financial year 1925-26:-

| | | Percentage of total Revenue Receipts. |
|---|---------------------|--|
| | (In million marks). | |
| Income Tax— | | |
| (a) Deducted at source .. | 1,367.0 | |
| (b) Assessed Incomes .. | 803.0 | |
| | <hr/> | |
| | 2,170.0 | 31% |
| Tax on Wealth | 270.0 | 4% |
| Tax on Turnover | 1,416.0 | 20% |
| Tax on Capital Transactions— | | |
| (a) Company Tax .. | 40.0 | |
| (b) Tax on Securities .. | 9.0 | |
| (c) Tax on Stock Exchange transactions | 40.0 | |
| (d) Director's Tax | 14.0 | |
| | <hr/> | |
| | 103.0 | 1.5% |
| Motor Vehicles Tax | 58.0 | |
| Stamp Duty on Bills | 63.0 | |
| Traffic Tax | 318.0 | |
| Tax on Bonds & Debentures. | 47.0 | |
| | <hr/> | |
| | 486.0 | 7½% |

| | | |
|---------------------------------------|---------|-----|
| Customs | 590.0 | 12% |
| Tobacco Tax | 616.0 | |
| Sugar Tax | 236.0 | |
| Revenue from Spirit monopoly | 153.0 | |
| Wine Tax | 80.0 | |
| | ----- | |
| | 1,675.0 | 24% |

The tax-system of Germany, as it now obtains, is considered by many competent authorities to be in a state of flux. No judgment can, therefore, be pronounced as to its bearing on the finances of the Federation generally. The rates as well as the items of the taxation in vogue are constantly changing, in spite of an attempt at a radical tax-reform in 1925. It is noteworthy, however, that whereas the Hohenzollern Empire depended almost wholly on the indirect taxation, the present Reich has increased very sharply direct taxation in a variety of directions. The Income Tax rate is sharply progressive rising to a maximum of 40% on income of over 34,000 marks per annum. Still, the indirect taxes have not disappeared altogether. They form practically one-fourth of the total receipts—taking only taxes on consumption for purposes of this calculation. And though their proportion seems to have been on the decline in the years following, the approximation to the accepted liberal principles in taxation cannot yet be said to be all that it might be. The direct taxation was formerly the monopoly of the constituent states in virtue of a fundamental principle of the Bismarckian Constitution. The Iron Chancellor agreed, however, to pay this

heavy price for the consummation of German unity, rather than sacrifice the dream of a century. The States were expected to contribute, for the maintenance of the Reich, their quota according to population, and the rate was fixed for the purpose in the annual Imperial Budget. The situation, now has been completely reversed. The Reich takes practically all indirect taxes, and the bulk of the direct taxation. The Constitution enables it to do so, subject to a refund to the States according to agreed proportions. A comparative statement of the pre-war and post-war financial position will, however, explain the changes much more effectively than the general observations as above. The following is also taken from Mr. Thelwall's Report already cited :—

N.B.—The figures are in million sterling.

| | 1913-14. | 1926-27. |
|---|----------|----------|
| Total Ordinary | 110.465 | 247.050 |
| Revenue of which :— | | |
| 1. Taxes on Property Traffic, Trade and Turnover, were | 16.265 | 126.835 |
| 2. Customs | 36.090 | 29.000 |
| 3. Excise & Consumption Taxes | 26.765 | 71.780 |
| Extraordinary Revenue .. | 9.505 | 0.045 |
| <hr/> | | |
| Expenditure. | | |
| General Administration .. | 27.000 | 88.835 |
| Army & Navy | 103.100 | 37.135 |
| Expenditure for Reparations (or due to wars) .. | 3.510 | 121.125 |
| <hr/> | | |
| Total Expenditure .. | 133.610 | 247.095 |

There has been a most remarkable increase in the cost of administration, due partly, no doubt, to the diminished value of money, but far more largely to the immensely expanded sphere of state activity. In spite of a reduction of territory and population by 8% and 10% respectively, the cost of administration has grown by some 330% over 1913-14. Allowing for an increase in the price-level of roughly 50%, this represents still more than twice as much as before the War. The State has yet undertaken no far-reaching projects of socialisation, which, however, are, in my opinion, only awaiting the final settlement of the Reparations question. Critics of Germany are not lacking who urge that country is carrying out vast schemes of public utility, and thereby keeping up a far higher scale of administrative expenditure than she need. But the reply of Germany is obvious as it is incontestable in justice and equity. She must find employment for her teeming population if she is at all to meet the obligations of the last war. On the whole, the dispassionate student of her finances and of the general economic system must admit the essential soundness of that system to-day. And, while not unaware of the rocks and shoals still ahead, one must also recognise Germany's freedom, comparatively speaking, from those onerous and unproductive expenses, which have brought victorious France to declare in her currency system a national bankruptcy, without a fraction of the excuse that Germany had in that regard; and which are crushing England by a load of unproductive burden that renders her industrial or economic position daily more precarious. While Britain

spends, out of a total budgeted expenditure of over 818 million pounds in 1927-28, over £ 355 million pounds for the national debt services, and £ 115 million on her Army, Navy and Air Forces, Germany in the same year had to spend some £ 34 million on defence, and £ 25 million on debt—apart of course from reparation. Out of a total budget of £ 500 million in round terms, this is scarcely 12½%, whereas in Britain it amounts to over 57% ! No wonder Germany has a large margin to spend on productive purposes ; no wonder that expenditure returns to her people in a geometric progression of increased capacity ; no wonder, finally, that improves the nation's general economic outlook in a world still full of the old-time insensate trade rivalries.

VI.—LABOUR AND CAPITAL IN POST-WAR GERMANY.

Having already referred, in an earlier section of this Lecture, to that novel feature in the economic frame-work of Germany, which, by means of a net-work of Works Council all over the country, consolidated at the apex in a National Economic Council, fully representative of Labour and capital, seeks to harmonise the interests of the two wings of industry,—I see no necessity once again to dilate on this happy solution of an otherwise perennial problem, and endless waste and vexation. I would not, indeed, be understood to say that industrial disputes—and the consequent wastage of national wealth—have become a thing of the past. The ultra class-conscious, doctrinaire Marxists in Germany had, as you have been told in an earlier

Lecture, made a bid for power, and sought to establish a Communist regime on the Russian pattern. They organised strikes ; and even when they had failed in their political venture, they did not give up all hope of revolting the proletariat against the moderate tactics of reconciliation between capital and labour pursued by the Majority Socialists. But, on the whole, the position in this respect seems to be sounder in Germany than in her principal neighbours and competitors. Employers of the scale and importance of the late Hugo Stinnes ; or of the imagination and sympathy of the late Walter Rathenau have not only not disdained to sit in the national Economic Council side by side with men like Leghien, the Trade Unionist ; they have perceived the wisdom, economy and necessity of keeping well with organised Labour. In the darkest hour of the country's history, it was this spirit of mutual understanding, backed by a common resolve to see the nation through her day of trial and trouble, which staved off an impending disaster that would have been irretrievable if it had happened.

Which of the two parties in industry have gained most by the Revolution ? The question is piquant ; but impossible of a categoric reply. Labour has secured the right to combine and organise and make collective bargains, which the most conservative employer dare no longer deny. The State, too, has assumed a socialising tendency, which, even if it has to be kept in severe check for the present because of the force of circumstances, makes it lean more and more to the side of Labour.

The constitutional obligation on all citizens to make the best productive use of their physical, mental, or social powers, coupled with the duty imposed on the State by the same Constitution to find work for all, gives the German Reich a wholly new—and at that a very promising—orientation, which has more than a merely moral significance. The significance, too, of the National Economic Council must not be misread. Its function is not merely to advise on economic legislation—or even to initiate such measures—though these by themselves are of no mean benefit. Its still greater utility lies in inducing—quickly but not the less effectively—a more peaceable and happier attitude between Labour and Capital, a degree of mutual understanding and co-operation which is lacking in other countries. Lord Melchett's—Sir Alfred Mond, that was—recent pourparlers in Britain to the same end have opened the eyes of the British public to the value of such institutions. To the extent that the National Economic Council—with all its ramifications—in Germany has proved effective, the gain on the whole must be considered to be on the side of Labour.

This must not, however, be taken to mean that capital has lost in proportion. *Tout au contraire*. German industry, freed from the load of internal indebtedness, has rapidly reconstituted and adapted itself to the changed conditions. Its original advantage of superior technique ; of keener scientific organisation, guidance and direction ; of closer co-operation with higher research and intensive study of the needs of the consumer—all

endure still with her. Recent events have, if anything, made the master minds of German industry more alert and intense. The consequences of the Carthaginian Peace imposed upon them at Versailles are also not altogether unhappy. For, inasmuch as Germany was compelled to surrender a great deal of her capital stock,—represented by her mercantile marine, her railway rolling stock, her raw materials, securities and liquid capital—she got rid at the same time of old and worn out vessels ; of out-of-date machinery. She was free, when once she got breathing space, to start *de novo* ; and she has made excellent use of her clean slate. Her injuries and hardships have turned out to be veritable blessings in disguise. For, consider this : Had the celebrated Armament and Munitions Works of the world-famous Krupp to be dismantled under the Peace Treaty ? Well, Germany did so,—and transformed the same gigantic establishment into a vast manufacturer of agricultural implements, sewing machines, surgical instruments, and what not ? Thanks to her high technical skill and accumulated experience, Germany could effect this marvellous transformation, even in this age of growing specialisation of labour as well as capital, without any of her rivals being put wise on the matter until the day after the fair ? She has surrendered her mercantile marine :—and in less than five years replaced it with the most modern, most economical, most luxurious shipping the world can command to-day. Before the war, she was the second largest ship-builder of the world. To-day she is, I believe, the third once again, and perhaps might become the second even before the

year is out ! Her electrical, chemical, mining and metallurgical, dye and textile industries continue to be the wonder of the world. Her foreign commerce offers once again an increasing testimony to this reviving prosperity, as we shall shortly see. The pre-war peculiarity of German industrial organisation—the marked predominance of the Kartel and the Syndicate, which means a horizontal as well as a vertical combination growing more intense and effective every day—is, if anything, more emphasised than ever. The scale of operations is growing apace. And so the general position of capital in Germany—notwithstanding the Socialist sympathies of the State ; notwithstanding the heavy burden of taxation ; notwithstanding the continued uncertainty in respect of reparations—is to-day as promising as it was at any time before the War.

If the two wings of large-scale, mechanised, manufacturing industry have thus no special cause to complain under the new dispensation, Agriculture has equally little to be dissatisfied with in the new Regime. Socialism is generally town-bred ; and so its leaders have avoided including the peasant as a class in its nets. Or, perhaps, the peasant as a class is too conservative, too slow of mind, to be able to perceive the advantages of the socialist regime. Or, yet again, the very nature of the agricultural industry—scattered in small hamlets over a vast area—does not admit of that concentration of workers, which is indispensable if the socialist propaganda is to succeed. Whatever the cause, the fact remains that the agrarian interest

does not seem in Germany even to-day to be overwhelmingly socialist. It was the peasant who is admitted to have defeated the pure communism of the Russian Revolution, and compelled its leaders to reconsider and even to undo many of their pet projects of establishing an unadulterated socialist state. It seems to be the same story in Germany. And yet the State is by no means indifferent to the agricultural interest. It was agriculture that was made to bear the burden of rehabilitating the mark, especially after the adoption of the Dawes scheme had imposed a heavy burden on Industry on that account. In return the State has organised a special Agricultural Bank to provide capital or credit for this very considerable industry; and in every other respect, the State endeavours to protect and encourage it, wherever its powers permit it to do so.

VII.—REVIVING PROSPERITY.

The result is evident in a progressive revival of industry, and the entire productive organisation. The following tables will tell their own tale:—

| Statistics of Production. | 1913. | 1918. | 1923. | 1925. | 1926. | 1927. |
|---|--------------|---|--------------|--------------|------------|--------------|
| Agriculture : | | | | | | |
| Wheat in Metric tons. | 4,360,624 | 2,458,412 | 2,819,658 | 3,917,266 | 2,597,185 | 3,280,104 |
| Rye | 11,598,84 | 10,09,090 | 7,174,674 | 8,062,882 | 6,405,905 | 6,833,631 |
| Barley | " | 3,481,947 | 2,380,231 | 2,599,076 | 2,462,541 | 2,737,913 |
| Oats | " | 8,320,183 | 4,680,755 | 5,975,516 | 5,584,545 | 6,324,355 |
| Beet | " | " | 9,983,800 | .. | 10,325,893 | 10,854,130 |
| Mining : | | | | | | |
| Coal (metric tons). | 1,91,511,454 | 1,58,254,116 | 62,316,134 | 1,32,622,125 | 45,295,724 | 1,53,597,600 |
| Lignite | 87,116,000 | 1,00,599,318 | 1,18,784,997 | 1,39,724,614 | 39,150,557 | 150,805,711 |
| Coke | " | 32,168,001 | | | 26,254,691 | 32,260,532 |
| Briquettes | " | 27,242,000 | | | | |
| Pig-iron | " | 19,391,920 | 9,208,252 | Industry | 9,636,054 | 13,102,528 |
| Ingot-steel | " | 16,942,64 | 11,392,165 | Paralysed | 11,866,362 | 12,341,636 |
| Potash | | 9,283,184 | 11,348,424 | 12,029,576 | 9,408,109 | 16,305,330 |
| Trade (Foreign) (in million gold marks). | | | | | | |
| (Imports) | 11,205. | No figures of value worth relying on. The trade had been practically paralysed. | | | 9,693.8 | 8,521.7 |
| (Exports) | 10,198.6 | | | | 6,634.4 | 7,376.4 |
| Difference + or - | 1,006.5 | | | | -3,059.4 | -1,145.3 |
| | | | | | | -4,004.7 |

These figures have been taken from the various Statesman's Year-Books from 1914 to 1928.

Since the rehabilitation of the Currency system, the recovery in Industry is amazing. Quantitatively the position is nearly as good as in the most prosperous pre-war year—and that despite the fact that neither in territory nor in population Germany is quite what she was before the War. The following extract from the London Economics of September 1, 1928, (p. 392) is still more significant as regards production in the first six months of the current year.

" Coal production in July was 12,482,788 metric tons, as against 11,833,441 tons in June. In the seven months January—July coal production was 88,400,000 tons against 88,700,000 in the same months of 1927; lignite production 94,200,000 tons, against 84,900,000 tons, and coke production 20,000,000 tons, against 18,200,000 tons. Output of the rolling mills in July was 1,026,333 metric tons, against 1,052,905 tons in July 1927; output in the first seven months 7,294,699 tons against 7,344,936 tons.

The foreign trade shows the same characteristic of a considerable excess of Imports over Exports; and yet for four years that has not affected the exchange value of the mark. The explanation is difficult to find. As before the War, Germany has begun to have a considerable quantity of " invisible exports " in the shape of freight earnings in her carrying trade. She is already the fourth, if not the third, of the ocean-carriers of the world. And if at the present time Germany may not possess

that other form of “ invisible exports ” which consists of the interest receipts on her overseas investments, she is receiving very considerable quantities of foreign capital every year for investment in her industry. Says Mr. Thelwall in his Report already mentioned :—

“ Since the end of 1924, there has been a very large influx of foreign capital into Germany, and this inevitably had a profound effect on the balance of trade. The same is true of German deposits abroad; which continued to be brought back to meet the shortage of working capital in the country.” (P. 28).

The position may, indeed, be not yet described as normal. The capital that is not merely the return home of that which had been scared away during the uncertain years of currency instability, but a fresh debt for industry, will have to be returned, in principal as well as interest. The Reparation annuity may be taken to have been settled at the Dawes figure of 2,500 million gold marks—£ 125 million as a rule. But the full total of the Reparations Bill remains yet to be fixed. And its effect on the foreign trade of Germany—if continued for any considerable length of time—as well as on German industry, cannot but be undesirable. For the present, however, every indication points to a substantial and enduring revival of solid prosperity, which, it is to be hoped, the nations of the world and their rulers, wiser by the experience of the disastrous years through which the world has only recently passed, will do nothing to jeopardise.

POST-WAR GERMANY: An Object Lesson In National Reconstruction.

LECTURE V.

NEW GERMANY: A WORLD FACTOR IN PEACE AND PROGRESS.

LADIES AND GENTLEMEN,

As you must have perceived from the preceding sketch, Germany has now been rehabilitated—almost beyond recognition. There is, as I told you on a previous occasion, a manifest continuance of old traditions and sentiments—the most dominant of all being the unity and integrity of the Fatherland. Concentrating attention on this, all the outward signs and symbols, embodied in the form of Government, may be taken to be no more than so much covering, which, if removed, will not affect the essence of the organism. If the national unity and integrity is maintained, the form of Government—whether monarchical or Republican is comparatively immaterial. To those, however, who cannot concentrate on the identity of this ideal—now as before the World-War for centuries past,—the change from an absolute Monarchy to the most democratic Republic cannot but appear as the most significant symptom of New Germany. Monarchy has disappeared from the German soil

—it would seem, for ever. It may be a bold statement for an outside observer to hazard ; but looking at all that has happened since the fateful day, when Kaiser William II abandoned his country and deserted his army in the hour of their greatest need, there has never been any hope for the restoration of the deserting, abdicating, or exiled Royalty. The Kings and Princes and Grand Dukes have, it is true, fled only in an hour of Revolutionary fervour ; and there is yet in the country not quite a negligible proportion of the population that might still be hankering for a return of those days when Germany could style herself as one of the proudest and the most class-ridden countries in the world. And amongst these classes, worldly wealth and prestige is greater than in proportion to their numbers ; for the utter discrediting of the old monetary standards did not affect materially the prosperity of the landed classes. As a matter of fact, these benefited by the fall in the value of the mark to pay off their old pressing mortgages, and redeem their estates to make the most out of them. The Royalists in Germany, as in France, consist principally of the landed magnates, and the big industrialists, who delight in the pomp and pageantry which Royalty involves. But their aggregate strength in the National Parliament or in the community at large is not sufficient to turn the balance in favour of the exiled monarchs, and the chances of a violent restoration, by a civil war, seem to be getting daily more remote.

Two factors in this connection may be pointed out as significant, if not suggestive. The Kaiser

has renounced the Throne for himself ; but it is not quite clear if all his descendants, including the ex-Crown Prince, are committed to this renunciation. In a lecture on the *Present State of Germany* delivered towards the end of 1923, Brigadier General Morgan, an officer on the Allied Disarmament Commission, considers the chances of the Crown Prince far more substantial than those of his father, who has lost what little sympathy he may have had in the country at large by his second marriage. General Morgan's strongest reason seems to lie in the avowed monarchical sympathies of the present leaders and spokesmen of Germany, such as Marshall Hindenburg the President, and Stresemann the Foreign Secretary and more than one Chancellor. To me, however, and after the lapse of another five years, it appears that these very men, serving the Republic in the most responsible positions, offer the most substantial gauge for its stability. The President has changed his Marshall's uniform for a civilian's frock-coat. With that change, and with the oath of office he has solemnly taken, he seems to have laid by whatever leanings he may have had for the old Royalty of Germany. Stresemann has been instrumental in the Locarno pact, which has for ever renounced the claim of Germany to Alsace-Lorraine, that no ardent Royalist dare put his name to. Facts like these can be multiplied to any extent desired. Their significance would have been utterly lost, if the observer does not realise that they betoken not that undying flame of personal loyalty regardless of the character and doings of the crowned mediocrities, which could at all be taken as a serious portent of royalist

restoration. Save, perhaps, Bavaria,—where, competent observers think, a majority of the population might prove to be in favour of Restoration,—there is no state in the Reich to-day which could cast a majority of votes at a referendum for the return of the Princes. And the sentiment of national solidarity is so intense that the Royalist sympathies of a majority of Bavarians will not afford any guarantee of security for Bavaria's choice in the throne of Imperial Germany. Besides,—and this is even more significant,—the Constitution, while leaving the fullest autonomy to the constituent states in their internal affairs, lays down categorically :—

“Every state must have a republican constitution.” (Article 17).

This is not merely the expression of a pious hope. It is now an accomplished fact for well-nigh ten years ; and the hardy adventurer of the type that converted the Second French Republic of 1848 into an Empire is unlikely to arise even in the race of the Wittelsbachs of Bavaria. Finally, the Republic stands to-day for solid achievement, despite the hardships of the earlier years after the world-war. The sympathy of the intelligentsia all the world over is with the Republic. Germany will lose it all should she once again elect to restore her exiled Princes. The latter restored would only mean the revival of those hostilities and rivalries which made for the terrible holocaust of the war. To the greater portion of the German people, the Republic stands for freedom and opportunity, which the old regime must needs deny them ; and

so we may take it as the settled fact of New Germany, the Royalty has for ever disappeared from that country.

Not less significant than the disappearance of Royalty and absolutism, is the decay of militarism in Germany. Ludendorff may cry himself hoarse with his assertions of the German people never understanding Parliamentary Government and Voluntary service. But the Treaty of Versailles, compulsorily disarming this most militarist of nations, has proved a blessing in disguise. The saving in the country's annual budget is the least of these benefits; though, when considered in comparison with Germany's own pre-war burdens in that behalf, or in contrast with the fatal burdens still lying on the tax-payer of the neighbouring countries in this respect, Germany cannot but be sensible of this great gain from the War. The more material damage of the Munitions Factories having had to be dismantled has been averted by the ingenuity of the German people, which has reconstructed these works for much more productive and economic purposes:

" So far as it is ever possible," says General Morgan, " to disarm a country, with strong military tradition and a great engineering and chemical industry the ambiguity of whose plant defies the presumption of hostile use, we were, with that not unimportant qualification, within measurable distance of success. Obstruction there was always, duplicity often, and evasion not seldom, but

there was little or no evidence that the general public, certainly not the working classes, had any sympathy with it. There was, at least there appeared to be, a decline of militarism and a gradual smoothing down of asperities."

The very halting tone of General Morgan's statement is easily explained, when we remember not only the date of his Lecture, but also the atmosphere engendered by the insensate occupation of the Ruhr. The last-named gave rise to apprehensions of the extra-constitutional forces gathering strength in Germany, and undoing the work of "moral disarmament" as well as physical, which the interallied commission had achieved. The flight of years since then ; the conclusion of the Locarno pact, and Germany's adherence to the Peace Pact initiated by Mr. Kellogg may not unjustly be taken to be evidence of the changed mentality in that land, assuring a real decay of militarism, without which the peace of the world can never be permanently established. Germany, of course, will not forego her right to national defence; but it is only the hyper-germanophobes who will see in every students' union marching with sticks for rifles and teachers for drill-sergeants, the embryo of an army corps. Germany has not only abandoned her compulsory military service ; she finds her own best interests to-day most effectively served only by pacific methods of exalting Right above Might, which is symbolised in the League of Nations. Twelve millions of her nationals have been distributed, under the terms of the Versailles Treaty,

among neighbouring nations, where the ex-german citizens are in a perpetual minority. If Germany would sponsor the cause of these her children in foreign lands, she must needs emphasise moral values in the place of the argument of force which was her forte in the days of the Hohenzollerns.

The loss of her old Army and Navy has, moreover, made another serious change in her outlook, which is not very obvious on the surface of things, but which would not escape notice of whoever probes a little below the surface. Militarism in Germany meant not only Compulsory Military Service and heavy armaments, but the permanent political ascendancy in the councils of the nation of jingoes and chauvinists, who directed the country's policy with a provocative tendency. To-day that ascendancy is a thing of the past. Men have come into supreme positions, who are either constitutionally and temperamentally pacifists ; or who, whatever their past, have loyally accepted the new ideals of the German people. Disarmament, therefore, in spite of its implied humiliation in the chauvinist eyes, and notwithstanding the circumstances under which it was forced on Germany, is complete as it is lasting, bringing in its train that wholesale change in outlook, which is the surest guarantee of world peace.

Yet another portent of the abiding Revolution that has been silently and peacefully affected in Germany is the growth of the Democratic sentiment. Critics of the Ludendorff mentality had found it easy to pooh-pooh the idea of a Parliamentary Government in that country, even as some of the

hardened bureaucrats in this country are incapable of envisaging a democratised India. That, however, has not prevented the German people from affording, in nearly ten years of its new life, the most substantial proofs of their fitness and aptitude for self-government on the most advanced democratic basis. "The fate of a people" writes Spengler, one of the foremost thinkers of New Germany, in his *Neubau des Deutschen Reichs* "depends not on the laws and constitutions, ideals and programmes, not even on moral principles or racial instincts, but, above all, on the capacities of the ruling minority. The art of rule is not the chief but the only problem of politics. Our Parliamentarism is a caricature. By our whole past, our race, and our geographical position we are a monarchical people, whether the ruler be Kaiser or Chancellor, just as the English are born republicans, even though they adorn their social edifice with a monarchical spire. The Parliamentary age is irrevocably ended. A people has only one right—to be well-governed; and since the mass cannot undertake the task it must be performed by individuals. The supreme need is the strengthening of the governing power with high responsibility." (Quoted in Gooch, Op. Cit. p. 351). Despite, however, the deservedly high authority of Spengler, the history of the last ten years clearly gives the lie to the spirit as well as the letter of his assertions. I have already quoted in a previous Lecture the evidence of statistics of the General Elections, which clearly points to a growing interest in the political problems of the country. Hardly anywhere else in the world does a larger proportion of the electorate,—

the major portion of which was enfranchised all of a sudden,—go to the ballot-box than in Germany. The fact that since the Revolution Germany has not produced any towering personality comparable to a Bismarck is either besides the point, or is explained easily by the fact that there is neither room nor cause in present-day Germany for a Bismarck. The school-master has been abroad in Germany, perhaps more extensively and effectively than in any other contemporary people. The spread of knowledge has added to the general level of ability; and it is demonstrably much more difficult to stand out like a colossus among equals than as between unequals. Prof. Dibelius, writing in the same strain as the die-hard Ludendorff, says :

“ The English Parliamentarism breeds political leaders, the German political adventurers. The English Premier achieves creative work: the German Chancellor keeps the horses of his chariot in step. English Parliamentarism is original and vital, because it has grown by organic developments from English characteristics; the German is a manufactured import, which the mass of the people regards with something like indifference.”

This sounds more like an expression of an *idée fixe*, than any well-reasoned statement of opinion, much less of careful observation and objective analysis. In so far as the laboured antithesis of such *obiter dicta* as these is at all capable of being

established, the answer is simple and direct : The German principle of Proportional Representation makes the National Parliament truly representative of the people's opinion, and a coalition of parties inevitable. In coalition governments the dominance of a single individual is naturally impossible. Besides, the working of the electoral law renders bye-elections of the English type unnecessary, the next number on the parties' list automatically moving up to take the place of a deceased or a resigned member. That personal touch between the people and their individual representatives, which is so characteristic of other democracies, is carefully eliminated from the New Germany. The emergence of a towering personality, which is at the same time constitutional and representative, is a natural impossibility under present-day conditions in that country. Finally, the praise of the English parliamentarism and of English politicians is a trifle overdone, especially if we compare the achievements of modern German statesmen even in the short space of ten years. Compared to the task of Herr Schacht of the Currency regeneration fame ; or Stresemann of the Locarno and Geneva fame, or even Hindenburg in his severe simplicity of an ex-soldier, the achievements of any English statesman of the same rank pale into utter insignificance. Democracy is constitutionally jealous of personal eminence among its leaders or spokesmen. Hence in so far as we feel convinced that democracy has come to stay, we must resign ourselves to its inevitable concomitant that striking personal greatness, particularly of the Napoleonic or Bismarckian type, would be rendered unneces-

sary and therefore eliminated. Besides, Spengler and writers of that kind seem to be impressed unduly by the growth of the Dictatorial regime in this generation, failing, I believe, to realise that the Dictators of to-day are a passing phase, an unavoidable stage of apprenticeship to mature very shortly into complete democracy, which Germany seems to have already attained to. The Lenins and the Mussolinis, no matter how much they impress their contemporaries, are, in the broad perspective of history, nothing but the instruments of their time, to solve efficiently and expeditiously the particular problems of their country. That does not mean, however, that theirs will be an abiding race, and that dictatorship will be the normal phenomenon of the next generation. In any case, Germany has so far successfully avoided the emergence of a Dictator in spite of all her troubles and trials ; and there is no reason to believe that in the near future she will have cause to put back the hands of the clock deliberately. The Germans are among the best educated peoples of the world ; and their proving equal to the new democratic institutions adopted by them is only another proof of their high education. They have, moreover, a Civil Service, which in knowledge, efficiency and industry will beat any corresponding body in the world. The German passion for expert Government is in no danger of being disappointed ; for to each important Ministry in the Reich is attached a Committee of experts, which does all the real administrative work of the Department. The Minister, himself a nominee of party groups, assumes the political responsibility for his department. The same combination is noticeable in

England under the guise of the unchanging and non-political permanent Civil Service in each department of state, supplying the expert knowledge to the Parliamentary chief, whose function is largely to shoulder the responsibility for the main policy of his Department. But in Germany, the transition from the Kaiserlich, absolutist regime to the democratic conditions of to-day has not brought about any untoward happenings worth remarking, because the main machinery continues substantially to be the same ; while the infusion of the principle of political responsibility is nothing more than what the liberal opinion of the country had been desiring for over a generation. The croakings, then, of intransigeants at home or of unsympathetic critics from outside must not mislead a careful student of present day Germany into believing that she affords one more example of the unsuitability of democracy to the task of government. Democracy, in the sense of mob-rule, will never be accepted in any country, when it comes to specific departments of administration demanding high experience, knowledge and technical skill. But democracy in the sense of governmental or ministerial responsibility to the representatives of the people, for the general alignment of the fundamental policy in connection with the several departments of Government, is the only form, yet invented, compatible with the aspirations of the largest section of civilised humanity. Of this Germany is, though one of the latest, not the least shining example. We may, therefore, justly assume the growth of the democratic sentiment in New Germany to be among the principal signs of a new life and new ideals

being accepted in that country. Good Government is thus combined with self-government in the most approved proportions. And, apart from the short period which culminated in the occupation of the Ruhr, when civic virtues were at a discount for no fault of the German people, the traditional virtues of industry, honesty and simplicity of the German national character have once more asserted themselves in full bloom, thereby assuring the continuance of the New Life as far ahead as we are entitled to see on behalf of nations.

II.—NEW GERMANY AT HOME.

These signs and portents in the New Republic we find evidenced in a definite programme of national reconstruction. In the Introduction to his published Lecture on the *Present State of Germany*, General Morgan observes :—

“ Nothing indeed can extinguish the German passion for work, for there are no people in the world more industrious ; and Germans have worked since the Armistice as even they never worked before. But so also have they spent as they never spent before. It was inevitable. There is no spendthrift like a bankrupt. Not all this spending, indeed, has been purely sumptuary. Much of it is far-reaching investment. I refer not merely to investment in foreign securities, large though these undoubtedly are, but to investment in that sort of under-

takings which neither moth nor rust corrupts—investments by the State as well as by the individual. A whole chapter might be written on what Germany has done since the War under the magic rubric of "*Wiederaufbau*" or "Reconstruction."

The speaker then goes on to give a long list of the projects of industrial revival or reconstruction, which makes one wonder at the daring and the enterprise of that people. The feature noted by General Morgan in the dark days of the Reparation tangle has, in the years that have followed, been only intensified ; and the proof thereof lies in the increasing competition of German industry in the markets of the world. She has, no doubt, fulfilled her engagements under the Dawes scheme for the first four years without let or hindrance, without undue injury to the foreign trade of the receiving nations. But it is permissible to question if the final settlement of the Reparations debt would not hurt materially the industrial prosperity of the receiving countries, even if they were to receive something for nothing for the time being at any rate.

But, for the moment, Reparations is not the most pressing problem of German domestic politics ; nor, paradoxical as it might sound, is it the most significant international issue connected with Germany. To the German statesman, the future of the new Republic will only appear to be surely laid, when the injuries inflicted by the Treaty of Versailles have been undone. The rectification

of the Fatherland's frontiers, securing its integrity and solidarity as before the War, is thus in the forefront of the patriotic ambitions in Germany, which even reach the German speaking population of Austria. For the moment there seems to be little likelihood of this ambition being realised. But that is only a further challenge to the diplomacy of modern Germany not to rest content until conditions have been so altered as to permit this legitimate ambition being fulfilled. The Rhineland must be freed from foreign occupation at the earliest opportunity ; and no endeavour seems to the German too great to achieve this purpose. Restoration of Danzig and of the truly German lands ceded to Poland is another of the same class of ambitions, which it seems to be only a matter of time to accomplish. The return of the colonies might demand a harder struggle ; but now that Germany is a full and equal Member of the League of Nations, she will not rest until the needless injustice of the Treaty of Peace is remedied or rectified.

The Reparations problem has more economic, if less sentimental, importance, even in the domestic politics of Germany. It is not merely that the German people want to know the total demand that is to be laid upon them ; it is not merely that they desire to have this demand proportioned to their ability to bear the burden. More important than these is the consideration of the intimate bearing of the reparations payments on the entire internal economy of the nation. Her Budget and her Currency as well as Credit system, Germany

finds, are indissolubly connected with this problem. The mode as well as the magnitude of these payments have an importance, which none who remembers the debacle of 1923 can for a moment question. Germany has, as I have shown in another connection, rehabilitated her currency and credit system for the time being, at immense sacrifice. She has restored equilibrium in her Budget with very substantial additions to the tax-burdens of her citizens. But all these burdens and sacrifices would be of no avail, if the unsettled condition of the Reparations demand is utilised to reopen all the old sores with a vengeance. M. Briand is reported to have said, in connection with the signing of the Locarno Treaties, that France had to accept Locarno because she could not repeat the triumph of 1914-18. Much less can Germany repeat the sacrifices of 1922-23-24. There is, indeed, in the international atmosphere of the day little to justify any serious misgivings about untoward happenings in the near future in this regard. But the very fact that the final amount of the Reparations debt is still unsettled ; that the annuities payable by Germany under the Dawes scheme have no term or limit prescribed to them, is enough to make the observer anxious, if only for a clear, unambiguous settlement so that all concerned should know where they stand.

The problem of the Reparations is, likewise, connected with the question of the international indebtedness incurred during and because of the War. Each debtor country has in its own way sought to effect a settlement severally with each of

the principal creditors. But that has only added to the jealousies and heart-burnings inevitable from such a procedure. The War has been responsible for an immense loss and wastage. The Allies and Associated Powers sought, in the first flush of their victory, to fasten the entire responsibility on Germany exclusively. Subsequent researches have, however, shown the common guilt of all European nations too palpably to leave any doubt in the mind of any fair critic as to the justice as well as the advisability of an all-round agreement to consider the total war-losses to be the common misfortune of humanity at large, which the nations of the world should agree to co-operate in liquidating. This, however, is a frame of mind that has yet to be born among the statesmen of the world. And so the most pressing German problem of domestic politics still continues to be the most intricate problem of international politics as well.

Less visible on the surface than either of these already mentioned, the problem of socialisation is not the less important. The Constitution has, as I have pointed out before, specifically guaranteed private property and inheritance, as well as freedom of trade and bargaining. But the same Constitution has adumbrated the possibility of socialisation for definite ends, and subject to just compensation, which the new forces in Germany will not lose any opportunity to realise. Germany excels her eastern neighbour Russia in the ordered march of her economic progress. Home of Marx and of socialist thought in general, Germany is more extensively socialist than perhaps any other country in Europe

or outside. But the leaders of modern Germany, while yielding to none in the strength of their convictions, are yet not so fanatic nor so unpractical as to hurry on with violent changes that the bulk of their fellows may neither understand nor approve, and which would thus be liable to abandonment the moment the dissentients could secure a majority for the purpose. The Communist Revolution in Russia was defeated in its main economic purpose by the hostility of the peasantry; the Communist leaders were obliged to retrace their steps precipitately, because, I think, they did not sufficiently consider the forces against them in their zeal to realise their ideals at the first opportunity they got. Not having tasted power ever before, they were naturally unable to use it, when they got it, in moderation. With the Germans it was wholly different. Even under the old Kaiserly regime, the representatives of the proletariat were by no means utterly unfamiliar with the task of government, with the responsibilities of Parliament. And, besides, the progress of solid education was more considerable in Germany than anywhere else in the world, with the result that in the realm of ideas, at any rate, or of ideals, there was a much greater proportion of the people socialistic in views than was the case in the adjoining countries of France or Britain, and much more, of course, than in Russia. With the progress of education came a deeper and a fuller understanding of the practical difficulties in the way of accomplishing one's ideals. The understanding of these practical difficulties did not, indeed, make for an abandonment, or even a modification of the ideals ; it only taught the

wisdom of making haste slowly, building surely so as to last long and prove thoroughly reliable. The Social Democracy of the New Germany is thus the most considerable single party in the country, likely, in the near future, to gain an absolute majority, if only no hot-headed adventurer queers the pitch in the meanwhile. A socialist reorganisation of society seems to me to be as inevitable as the sun and the moon and all the stars. We shall, however, have to thank its own ardent advocates, who are more enthusiastic than practical, if their untimely excesses postpone the achievement beyond the reasonable stretch necessary for the new system to serve its apprenticeship, and win general approval. That contretemps is the least likely in Germany, if we do not grossly misread the national character and achievements of her people ; and so we may justly reckon among the important issues of the domestic politics of the New Republic this question of the socialisation of the means of production, distribution and exchange, even as the Constitution foreshadows.

III.—UNDERCURRENTS OF SOCIAL UPHEAVAL STILL CONTINUING.

These are the problems of the New Germany. They do not indicate, however, the equipment with which the country will face these problems. This equipment must, I think, be sought in the changed outlook on life manifest in the German thought of the day. There are at least three distinct indications of a definite revolt from the old order of things, which cannot be ignored in any survey of

the Germany of to-day. (1) **The Revolt of Youth** appears to me to be amongst the most significant of the tendencies of New Germany. The Youth of Germany, which has to bear the burden of all the mistakes and errors and crimes of the past generation, has come to realise its responsibility far more fully, I believe, than the youth of any other country. To us in this country, the problem of interesting the young men and women,—the college students,—in the political and social questions of the day seems to have little more than an academic importance ; and our decision is likely to go on the side where our sympathies lie, not necessarily where logic and judgment point. But whether you welcome or condemn the interest of Youth in the problems of the age and of the country, you will never be able to deny them their right to shoulder these responsibilities, when these finally fall upon them. And the youth of Germany is peculiar or more enlightened in this: that they have begun to perceive the insidious havoc of leaving the entire education to ineffectual, fossilised elders, who need not be blamed for being no more than creatures of their own conditions and circumstances ; but who must not for that reason be left in unquestioned charge of the education of the Youth of the community, if the succeeding generation is at all to avoid the mistakes and errors of their predecessors. The present and the next generation of Germany will have to bear heavy burdens, because the education of the people in the preceding generations was fundamentally faulty in inculcating worship of the false gods of material wealth and brute strength. Must they repeat the same blunder

once again by leaving the education of the next generation to people steeped in the spirit of revenge, or brimful of the feelings of the wrong done to Germany by her neighbours and erstwhile enemies? No, says the Youth of Germany. They have not lost, in the least degree, their regard and reverence for learning. Scholarship as such is honoured in Germany to-day as nowhere else in the world, as even in Germany itself it was hardly ever honoured before. The young men and women of Germany have gone through every hardship to obtain as high a degree of education as was possible. And let it be said to the credit of the New Republic that every effort was made to second the endeavours of these earnest young men and women to improve their minds for learning's own sake. The Reich and the Local Governments did everything in their power,—and something even beyond that,—even in the dark days of the mark-collapse, to keep alive the pure flame of learning and scholarship. The working student was a product of the times, who carried on his high-school and even University studies, side by side with earning his own livelihood from temporary or vacation employment on the poorest of wages. And other indications of the German's undying thirst for knowledge and culture in the widest sense of the term are not wanting. My point for the moment is simply to show you that the youth of Germany to-day has not departed from that old, old tradition, which has so highly enthroned the Goddess of Learning among them.

But while keeping to this their ancient heritage, they have nevertheless sought to rectify the errors,

or weakness of the *system* of education, as contradistinguished from its spirit. Says Mr. Gooch, the historian of *Modern Germany* :—

“ The *jugendbewegung* is an exclusively German phenomenon, and every student of the inner life of Post-War Germany should acquaint himself with its history and its aims.”

The movement now numbers some 75 organisations, with an aggregate membership of over 3 million—or something like a third of the total student world.

The aims of these organisations the historian gives us in the words of the most authoritative exponent of the movement, Prof. Förster :—

“ The Youth Movement is the snowdrop on the hard German winter snow. It announces the German spring. It is a real consolation for every German who was ready to doubt whether the German soul would ever escape from the enchantment in which its pursuit of Power seemed to have inextricably involved it. That, in the midst of anger and hatred, misery and despair, this German flower could bloom is not only a glad hope for those to whom true Germanism is their spiritual home, but for other countries which feared that the de-Germanised German had come to stay ! Away from the sins of the fathers ! Away from the pedagogy of

tutelage, coercion, and police ! That has always been my message, and the struggle for self-responsibility is the fulfilment of my dream. Authority, discipline, order, obedience, reverence are needed ; but they produce their ripest fruits when individuality and conscience are fully respected. The Jugendbewegung is a moral rejuvenescence of the German people, the return of the German soul to its best traditions." (Op. Cit. p. 312.)

I make no apology for this long quotation, since it expresses much more effectively than any words of mine can the spirit and meaning of the Youth Movement in Germany; and because it is so pertinent to the spirit in our own midst. The Youth of the world,—and particularly of the backward countries,—is awaking. It sees and accepts its responsibilities in a manner which will fill every heart with joy and hope, not only because the perception of the responsibilities of life is hostile to the common tendency of shirking so deplorable an offspring of this age of universal mechanisation ; but also because, for aught one knows to-day, this new spirit among the youth of the world may lead to a purging and a purification for which humanity at large would be the better in every respect.

While the Youth Movement in Germany is responsible for that slow but steady orientation in the general outlook, which is silently metamorphosing the ideals of the German state ; while the

newly awakened Youth would have none of the hatreds and rivalries which made a shambles of the civilised world for four odd years, they will question every established usage and principle, every tradition and sentiment from the viewpoint of its bearing upon the commonweal of humanity at large. In this their cry: "Away with the sins of the Fathers!" they may seem to impatient critics to be abandoning some of our own most cherished ideals, which we would fain leave as the prized heritage to our descendants. But what of that? If our ideals or sentiments cannot bear the searching examination of the awakened Youth, testing each such tradition or sentiment in the crucible of the commonweal,—the sentiments and ideals are not worth having. And if they will stand such scrutiny, then we need have no occasion to despair because the observer for the time being seems to indulge in uncanny or unintelligible experiments. Sir Philip Gibbs has, in his recent novel called the *Age of Reason*, given a most vivid picture of the new generation,—so free from all the shibboleths and superstitions of the generations before them, so healthy in their universal scepticism, so challenging in their utter unconventionality! The exponents of the Youth Movement in Germany to-day give us the same picture in a more objective, more analytical manner, which is not the less instructive because often we see not eye to eye with the doings of Youth. Youth, we must never forget, is brimful of spirit and vitality; and our most sacred trust and duty it must be never to repress, never to pervert, never to deny to these ever renewing links which keep up the chain of our race the right to

self-realisation, however, much the attempt at self-expression seems to go against our own cherished notions in individual cases. For, after all, no knowledge is so sound as that gained from personal experience. The child that has once burnt its fingers will not touch flame deliberately ; and the Youth that has been chastened and sobered by the experience of its own errors will be the wiser and sounder and purer for the suffering. The critics of some of the manifestations of the Youth Movement in Germany have not been backward in pointing to indications of a moral laxity, engendered by the unrestrained and promiscuous mixing of young men and women, particularly among the so-called *Wandervögel*. The aim of the author and founder of this particular phase of the Youth Movement, Karl Fischer, was to free the youth from the stuffy atmosphere of the class-room or the counting house or the factory, to give them a breath of fresh air and a touch of the healing balm of nature, to make them sing and dance and enjoy life at its simplest and best amidst the undying beauties of Nature undefiled by the arts or needs of man.

"Beginning," says Gooch, "as an experiment in recreation, the movement gradually developed a philosophy of life, which was consciously or subconsciously adopted by a growing number of young men in the upper classes of secondary schools and in the Universities—a philosophy which reacted against materialism, commercialism mechanism, artificiality, and the idols

of power, pleasure and wealth.” (Op. Cit. p. 213).

The celebrations of the centenary of the Battle of Freedom at Leipsic gave birth to the *Frei Deutsch Jugend* (the Free German Youth), which proclaimed its faith and purpose in the following memorable words :—

“ The *Frei Deutsch Jugend* will determine its life on its own initiative, its own responsibility with inner sincerity. We shall turn our back on ugly conventions and the moral inertia of the established-order. For this inner freedom we stand under all circumstances.”

Notwithstanding this, however, indications have not been wanting to make the older generation feel the new tendencies, especially in relation to the sexes, and that such fundamental institutions of modern society as are based on the pivot of the sex attraction, were not all that they might be desired to be. I cannot say what justice there is in such apprehensions. But I am inclined to add that the inevitable commercialisation of even our most intimate, personal desires and ideals, under the inexorable force of social conditions of the day, might have justly provoked a protest from the awakened Youth, which may have taken in individual cases unwelcome forms. The sex morality, moreover, of our modern commercial society seems to have little reference to the perfection of the being, to the improvement of the race, to the development of the spirit in victory over matter. It is rather an ex-

pression of the desire to hold together a system, which, however just or needful at the time when it was devised or came to be evolved, seems to have served its purpose, so that its further continuance in its pristine integrity cannot but provoke open or secret revolt. I am, however, not concerned in this Lecture with the ethics of sex relationships. I mention the consideration at all because it has been made a ground of reproach against the exuberance of the awakened Youth, and even an excuse to control if not suppress that awakening. I cannot but think the attempt, if made, must prove futile. And, in the particular connection of New Germany and as an index of her future evolution, I cannot but record the Youth Movement to be the most promising symbol of the reawakening of the German soul. Its reaction cannot but prove to be of the utmost benefit to mankind. For in its essence the Movement is a revolt against the soulless mechanisation of the age, a protest of Youth against the greed and lust and stupidity of age, that cannot but react happily upon the fortunes of humanity.

(2) No less significant than the Revolt of Youth is the **Revolt of the German Woman**,—that is, if we are right in assuming the typical German woman to be what she used to be painted as under the old Regime. The average Hausfrau of present-day Germany is no longer content with the three K's, or was it four?—the Church, and the Children, and the Kitchen and the Kaiser. The Constitution has recognised the full and equal citizenship of the woman along with the man. And just as the freshly enfranchised proletariat of Germany has

proved itself equal to the new opportunities afforded it, so, too, has woman in new Germany. There were over thirty women in the first National Assembly, and the number in the Reichstag since has not varied materially. These women Members of the National Parliament have been divided among the several political parties even as their brothers and husbands are. They make a small proportion in an assembly of some four hundred members. But from the first day of the New Republic, they have never failed to leave their mark upon the national life and opinion. I have already mentioned to you, I believe, the influence of the first women members of the National Assembly in securing that clause in the Constitution, which makes, under Article 148, the inculcation of a spirit of international reconciliation and brotherhood a specific aim of public education in the country. This is no small achievement for thirty odd women, who had entered political life, as it were, for the first time. In everyday life, too, woman in Germany is taking her full share of the burdens and responsibilities, which are making a new nation of this ancient people before our very eyes. For nothing teaches so well and so effectively responsibility as responsibility itself. Woman, while she is denied, under any pretext, the full rights of citizenship, will revenge herself upon the community by her stunted growth, her deformed mentality, her restricted vision clouded by superstition, darkened by the images of a hundred false gods and idols of the market place. Never let us forget that woman is the conservatrice of the race. To deny her the right to self-expression is to deny the right to the unborn

generation for that fullness of life and bloom for which we are all thirsting. Germany of the Kaiser was averse to this recognition of the equality of the sexes : but so was it against the recognition of the full citizenship of vast sections of mankind. I would not go so far as to say that the downfall of the old regime was in some measure due to this denial of the elementary rights of equality to women, not because I myself have any doubts in the matter, but because I fear I may not be able to produce proofs that could appeal to your critical judgment. This much, however, may be conceded without question : that the liberated woman in Germany would be a force for those new ambitions and ideals which are silently revolutionising German life and sentiment beyond recognition ; that she will never consciously support the reversion of the present order of things in favour of that which denied to her the most elementary rights ; and that, at home as well as abroad, she will strive for that spirit of peace and brotherhood, that understanding and sympathy, which we all need but seldom get in the full measure we desire,—because, I think, woman has so far been unjustly kept out of her dues by man-made legislation, and she is in consequence revenging herself by clipping the wings of our youth through her superstitions and distorted vision.

(3) The last but not the least significant factor may be considered to be the awaking or **revolt of the proletariat**. The German proletariat has not succeeded in its attempt at the Revolution of the Russian type, even if we may assume that the

worker as a class desired such a consummation. Personally, I am inclined to believe the German worker is too educated, too sober and considerate, to believe in the enduring character of any change effected by revolutionary methods. But whether the working class as a whole was communistically, revolutionarily, inclined in Germany or not, this much, I think, is incontestable : that the New Germany offers opportunities and conditions of life, never before enjoyed in such plenitude by the workers of all classes. The fundamental provisions of the Constitution aim at abolishing that class of the idle rich wastrels, who are fastened as parasites in many other modern communities, and wreak there untold harm by the very fact of their existence. An obligation to work is imposed on all, according, of course, to the peculiar powers of each individual worker. And the state assumes on itself the responsibility of finding work for all citizens suited to their several capacities of the mind and the body. This is an immense change, the full magnitude of which cannot be perceived by those unused to the very possibility of such ideals. The worker has realised the value of his work better than ever before, and so has attained to a sense of dignity, uncommon and unintelligible in communities less enlightened than the Germans. The institution, again, of the National Economic Council, to which I have referred before, is another concrete index of the changed outlook, not merely of the workers, but of the community at large. And the importance of the worker is still more concretely recognised by the decision, in 1926, of the National Federation of German Industry ap-

proving of an application, based on the fundamental principles of the New Republic and on the Constitution of Weimar, advocating economic and political co-operation between the employers and the employed! They had endeavoured in Germany to attain to this happy consummation as early as the eighties of the last century, when the far-sighted statesmanship of Bismarck gave the lead to the world in a most elaborate code of social legislation. But whereas in the last century such attempts inevitably appeared as the gifts of irresponsible absolutism, with no guarantee of their maintenance save the might of the ruler and his goodwill, today the assurance is demanded by the workers in virtue of the accepted principles of the Republic, and conceded by the representative body of the entire German industry. It would be premature, if not absurd, to say if this portends a new phase of class-war, between not the employers and the employed, but between industry and agriculture, or production and distribution. Whatever it may lead to in the future, to-day at least it is significant of the worker's new position and importance ; and, given this new position and importance, it seems unlikely in the extreme, that the working class, constituting an overwhelming majority of the people, would ever vote for any change in the present order, which might conceivably imperil their hard-won rights.

IV.—GERMANY IN INTERNATIONAL AFFAIRS.

The problems we have just reviewed, though peculiar in a degree to Germany, are not without their significance in the common concerns of the

Family of Nations. The growing complexity, volume, and variety of international relations, and the immense reaction of local problems on international policies, make it impossible rigidly to discriminate between international and domestic problems in every instance. Nevertheless, there are certain concerns, which, no matter what their local or domestic importance to any given community may be, have a peculiarly international influence. Of such, and so far as Germany is concerned, the problems most important are : democratisation of the League of Nations : securing of the ascendancy of *Right* over *Might* so completely as to abolish altogether any appeal to the arbitrament of brute force in cases of international disputes ; and common measures for the protection of minorities,—racial or otherwise,—in each independent unit of the Family of Nations.

Of these, Germany is still far from achieving the first. She has, indeed, been admitted, since the last two years, to be herself an equal member of the league along with the original founders and the principal powers of Europe. And she has won this position not without trial and suffering and sacrifice, thereby making her admission an event of truly international significance. For a long time after the end of the World-War, allied statesmen, and notably those of France, seemed to consider any suggestion of an equal treatment to Germany and the Germans a kind of high treason against the allied peoples. Even after the decisive victory of the extreme Left in France, in 1924, May, bring-

ing about the premiership of M. Herriot, the hopes of Germany were only roused for a short while, to be dashed to the ground with redoubled force in the following January. But with the acceptance by Germany of the Locarno Treaties, acquiescing in and confirming the change of frontiers on the West, and thereby affording the most substantial assurance of security to France which the latter was most nervously anxious for, the main reason against the admission of Germany into the Council of the League of Nations disappeared. And the slow pressure of more sympathetic allies like Great Britain, combined with the inexorable logic of events, made the opposition of France weaken and at last to disappear. But the international importance of Germany does not begin,—and much less does it end,—with her admission as an equal member into the Council of the League of Nations. Considering the obvious facts of Germany's history and geographic position, *viz.*, that she is on all sides surrounded by states either created or modified by the Treaty of Versailles, with few of them having ethnological homogeneity or economic efficiency comparable to that of Germany, and yet each imbued with a certain degree of political prejudice against that country ; considering also the further fact of contemporary politics, that while Germany has been compulsorily disarmed by the Treaty of Versailles the most important of her neighbours still maintain very substantial armaments, though it is difficult to say against whom these could be conceivably designed,—considering these facts, it is but natural that Germany should utilise her position in the League of Nations to

remove the handicap or disadvantage these conditions impose upon her.

And so she stands to-day in the League Council for ; (A) an all-round disarmament, and the complete and utter boycott of the arbitrament of war in international disputes. This is passing strange for a country, that only ten years ago had more than its full share of the militarist virus. But the change was inevitable in the nature of things. If Germany was at all to secure the objects most at heart to her statesmen in international relations, she must, first of all, secure the ascendancy of moral persuasion over brute force. None could tell as well as she what brute force eventually leads a country to. And so some of her most distinguished soldiers are to-day busy with an incessant campaign and propaganda for universal peace. Prof. Ernst Jäckh gives, in his little work on *The New Germany*, a brief account of this development, and a list of these Generals and their writings, which, I think, may fairly be taken to be symptomatic. And so the German participation in all movements intended to put an end to the War, the last example of the kind being her willing acceptance of the so-called Kellog Peace Pact. She knows, indeed, that France and Britain have succeeded in introducing modifications into the original design of Mr. Kellog, which have rendered the real purpose of the Pact almost nugatory. Still, for what it is worth, Germany, by her willing acceptance of the idea, has afforded one more proof of her changed outlook, and her earnest search for international peace and goodwill.

(B) Hardly second in importance to Germany's earnest desire for universal peace, is her insistence on the democratisation of the League itself. For a long time after its inception and institution, the League functioned as little better than a registry office of the principal Allies, chiefly France and Britain. And the dread and nightmare of French statesmanship, combined with the incorrigible imperialism of the British, rendered the constitution of the League such as to make it hardly ever the friend of the smaller,—and particularly of the oppressed,—nations, if the oppressor happened to be one of the principal Allies. The hope raised in all thoughtful and earnest minds by the idea of the League of Nations was shorn of a great deal of its promise, when the constitution was adopted in which the greater powers were allowed a preponderant voice. Apart from the exclusion of Germany, as a kind of an outcaste, and the non-adhesion of the United States, the League, by its own actions, in the earlier years, lost much of the respect and importance in the world's eyes that the idea in itself no doubt deserves. German thinkers had hit upon the same idea, even during the War, with, however, a more Liberal Constitution than eventually befell the League. They had intended to design it on the model of the American Senate, which is made of an equal number of representatives from each of the constituent states of the Union. If the League of Nations were at all to function satisfactorily as the refuge and protection of the smaller nations ; if the League was ever to realise the dream of liberalism to eradicate war from the face of the earth, it must perforce allow

to each unit composing it an equal voice in the common council. For the moment, however, that idea is not embodied in the Constitution of the League ; and the admission on equal terms of Germany may only be taken to be an omen of good, in so far as Germany, chastened by her own sufferings, and conscious of her own need to achieve the victory of Right over Might, of persuasion over force, will try to secure such a revision of the constitution of the League as would enable that body most efficiently to meet the real want of the civilised world.

(C) Next after the democratisation of the League, and its orientation towards a universal triumph of right in the spirit of Mirabeau,—who declared tersely and unambiguously in the first days of the French Revolution: “*Le Droit doit être le souverain du monde*,”—Germany’s most cherished desire in international politics is to secure equal treatment for political minorities, planted in countries wherewith they are not ethnologically assimilated. Germany has lost some 12 million of her nationals to neighbouring countries, under the terms of the Versailles Peace. If these unfortunates are to be spared the constant injustice resulting from the hatred of the past, the common conscience of mankind must be stimulated so far as to devise effective and workable guarantees against a possible injustice for permanent minorities in their new country of residence. Germany is in this regard most intimately concerned. And so she may be relied on, for her own sake, to induce the League so to change its angle of vision, so to assert

its supremacy over its member nations, as to advise and even compel them to grant the modicum of political justice and equality to their new citizens of a foreign race. Germany has accepted the final merger of these her children with the new countries they have been made over to. She has no hope,—she can have little design,—to seek their release from this arrangement. But that is precisely the reason why she should be most interested in an international problem of the utmost complexity, which is also the domestic problem of no mean intricacy in countries like ours, for instance. In democracies, majority must rule. But the majority cannot and must not be allowed to rule in steady disregard of the elementary rights of citizenship common to all the nationals of any given country. If the League succeeds in eliminating finally an appeal to arms, it will find little difficulty in getting the permanent majority, if any, in each of its members to see the inherent justice of this plea for the minorities. And Germany's share in this consummation is bound to be of the largest.

Germany's ambition to obtain the accession of the German speaking Austrians may be ranked on a par with the foregoing. The Austrians of to-day form an independent unit by themselves, their independence being carefully secured under Treaties. But their accession to the German democratic republic of to-day cannot but be beneficial to the Austrians themselves ; and their continued exclusion from their Fatherland is more a hardship on Austria than an injustice to Germany. The latter, too, will, of course, benefit, should the

Austro-Germans be amalgamated. The union of these members of ethnically the same race cannot prejudice the safety, integrity, or economic progress of any of their neighbours, if the new ideals of world-peace and mutual co-operation are accepted facts.

As a sign and symbol of the new angle of vision in the conduct of the foreign international relations, let us note, by way of conclusion to this section, those provisions of the Constitution, which induce a degree of publicity in the concrete results of international intercourse that by itself is a guarantee of health and soundness. Much of the mischief of the old-time conduct of the foreign relations of any country was the result of the needless secrecy investing those relations. Even in the most advanced and democratised countries, like Britain, the Foreign Affairs were a mystery ; and mystery inevitably bred distrust, suspicion, and war. Whatever may be the case in this respect in other countries, Germany, at least, seems to have learnt the lesson of the debacle of 1914-18. Says Article 45 of the Constitution :—

“ The President of the Federation represents the Federation in its international relations. He concludes alliances and other treaties with foreign powers in the name of the Federation. He accredits and receives ambassadors.

Declaration of war and conclusion of peace are effected by federal law.

Alliances and such treaties with foreign states as refer to matters of federal

legislation require the consent of the Reichstag."

The advent of this new open-air diplomacy is symbolical of the revolution in ideas and ideals that has been effected in Germany in these years. Bismarck, too, was remarkable in his age for a brutal frankness, which his contemporaries and confrères could never understand. By his mere truthfulness, he threw his diplomatic antagonists off their balance. But in that age of still undecayed back-stairs intrigue, which passed in Europe univerally for diplomacy, they could not, even if they would, all adopt Bismarck's methods. The consciousness, however, of the havoc of secret diplomacy, shrouding all international relationship eternally in an air of unhealthy mystery, has since grown apace ; and the demand for a greater publicity has resulted in a growing tendency, at least in all democratic countries, to submitting the matured fruits of diplomatic negotiations to the popular representatives in the central parliament. Germany, however, is unique in this definite provision of the Constitution which makes the major portion of the treaties and alliances subject to the Reichstag consent ; and which demands that war cannot be declared and peace cannot be concluded, except by a federal law, expressly passed for the purpose. Surely, we may take it, then, that Germany has definitely turned over a new leaf, and that no danger need be apprehended to the peace of the world from that quarter henceforward.

V.—PERSONALITIES IN MODERN GERMANY.

I have now reviewed, Ladies and Gentlemen, the main currents of German history since the War.

The picture is drawn necessarily only in outlines : but I fear even the outlines will be blurred and imperfect, did I not add a touch or two regarding the human factor,—regarding the makers of Post-War Germany. I have, indeed, already spoken of the outstanding personalities in the political world of Germany to-day : from the venerable and heroic President, to the ardent, energetic Chancellors and Foreign Ministers, that have contributed most to the achievement of the new ideals inspiring Post-War Germany. Some, indeed, of the makers of modern Germany are already dead and gone, like the first President Ebert, or the Chancellor Erzberger, or the ambassador Brockdorff Rantzau, or the statesman, scholar, inventor, and man of affairs Rathenau. The regret for their loss, however, must be tempered even in Germany by the reflection that, though the best of these men of the new republic have fallen victims to the fury of the baffled reactionaries, their spirit still survives them, and their handiwork is undying. Men like Rathenau may be taken as typical of that higher strata of constructive statesmanship, which will not be deterred by any apprehensions of personal consequences. Walter Rathenau, however, was a great man, not because of his riches, nor because of his inventions, nor even because of his eminence in politics,—though each of this has had sufficient contribution received from him to justify a separate niche being devoted to the man in its valhalla. He was greater, perhaps, than his contemporaries, at home and abroad, because of that inner vision, not only of a New Germany, but of a New World, which the best elements in every civilised country is incessantly

striving for. A statesman, a philosopher, a man of letters, Rathenau was many-sided in an astounding degree. He was amongst the three most eminent Jews of modern Germany, deriving his culture and ideals from his mother, and his business habits from his father, the maker of the world-famed Electrical Corporation of Germany. Says a reviewer in the *Times Literary Supplement*, (September, 13, 1928) of Graf Kessler's *Life and Work* of Walter Rathenau :—

“ For many years Walter Rathenau was his father's right hand in the management of the A. E. G., and he succeeded him as chairman of the board of directors. He made important discoveries in electro-chemistry, and at the age of twenty-six undertook the building of the Bitterfeld works in order to apply these new processes to industrial purposes. He was industrial director of one of the most important German banks, . . . and was intimately connected with many business enterprises in Germany, Europe and America. He had an unrivalled knowledge of the machinery of production and distribution on the national and international scale.”

The reviewer's complaint is that the biographer has devoted insufficient space to this side of this writer, thinker and man of affairs's many-sided personality. All those, however, who have had the

slightest knowledge of the men and events in Post-war Germany cannot help believing that the country, which is blessed with such sons as these, need never fear adversity completely overwhelming her. Rathenau will, perhaps, not be classed a Socialist, despite his vision of a "New Society" so strange in the mind of a born capitalist. He looks upon Labour, even in this age of universal mechanisation as little else than toil; and so he considers:—"If there is any joy in labour, it is not the joy of creation, but relief at a task accomplished." One may legitimately question if such an outlook in regard to work and its place in the life of a man is consistent with the developments of our days. But no one can quarrel with Rathenau's ultimate solution of the social problem, by transforming the present commercial structure into one of perfect solidarity on the basis of a complete equality of all worldly possessions—all surplus wealth being made over to the State for common benefit in an organised, systematic plan. This is not the vain day-dream of an unpractical visionary, but the considered outlook of a man of affairs, who, in his day, had served as Controller of Raw-Materials for Germany during the War, and as Minister of Reconstruction, and of Foreign Affairs in the Post-war period! Were there no other compelling force demanding of the thinkers and the seers of our days suggestions for a happy solution of the problems that beset us, this alone ought to secure for Rathenau's *New Society* a better consideration all the world over, than the modern world, in an incessant hurry, seems disposed to grant.

Of the other outstanding thinkers and writers of Modern Germany, I have not the space to make even a bare mention. But they seem to be all agreed,—whether Universalists like Count Keyserling, or creative writers like Von Unruh,—upon one thing: the human society cannot progress, if the ideals which Germany herself represented in the years before the War became an obsession for the majority of mankind. There is a solidarity and a sympathy between human beings all over the world, which the artificial and inequitable divisions of our time have all but obscured; but to promote which ought to be the constant aim of all social thought and action, of all organised plans and purpose. And in this way shall we accomplish the possibility of mutual co-operation, that, being absent to-day, renders all alike the poorer for that absence.

CONCLUSION.

And so I come to the end of the task I had set myself. You will have seen by this time, Ladies and Gentlemen, that there is much in the life and thought of present-day Germany, which cannot but be a signal beacon to those in every country who delight in restoring and confirming that instinct of fellow-feeling, of mutual concord and sympathy in all sections of the human race that has so unfortunately come to be obscured. Germany has shown herself greater in defeat than she was in victory herself sixty years ago, or than France is to-day, despite the obvious lessons of history. And, without being guilty of a needless paradox, will you allow me to add, the defeat has been the making of

Germany. There is a chastening and a sobering born of defeat, which the triumphant know not in the least. There is, in consequence, a sense of responsibility and a stimulus for self-discipline, which the victorious seem to have no occasion for,—to their own undoing, I think. Germany has shown herself in adequate possession of these indispensable qualities. Her trials and sufferings have been great, without doubt, and without precedent. But she emerges at length from these tests, sobered and chastened and refined to a degree, which seems to me to hold an immense promise for the future of mankind, and not only of Germany. The object-lessons of her sufferings and achievements I have not elaborated in every instance; because I do not think so poorly of your own mental powers, as to justify me in thinking you need such an elaboration.

I must, therefore, thank you all, in conclusion, for the quiet, patient attention you have paid to these Lectures; and at the same time offer you my apologies for having trespassed more than once in these Lectures on the time-limit conventionally set thereon. I must likewise express my gratitude for the substantial assistance I have received from the German Consul, here present, and from all the members of his Staff, without which much of the information I have been enabled to place before you would not have been forthcoming. I have, as you will see when these Lectures are printed and published in bookform, endeavoured to give chapter and verse for every statement of fact I have made in these Lectures. But if anywhere you find insuffi-

cient authority for any remark or statement, the fault, let me tell you, must be my own, and not of those who have so handsomely tried to assist me. And so, Goodnight.

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